

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	132.03	17.00	13.50	162.53	17.00	13.50	162.53	162.53
Personal Services	5,514,867	1,389,074	679,431	7,583,372	1,388,631	837,071	7,740,569	15,323,941
Operating Expenses	10,292,796	1,663,378	3,460,748	15,416,922	1,797,475	3,572,365	15,662,636	31,079,558
Equipment	105,663	952,619	0	1,058,282	1,421,209	0	1,526,872	2,585,154
Capital Outlay	0	0	0	0	0	0	0	0
Grants	7,132,417	9,801,766	(588,826)	16,345,357	9,248,199	(588,576)	15,792,040	32,137,397
Benefits & Claims	9,459,589	0	(42,000)	9,417,589	0	(42,000)	9,417,589	18,835,178
Transfers	0	0	0	0	0	0	0	0
Debt Service	17,881	0	51,988	69,869	0	0	17,881	87,750
Total Costs	\$32,523,213	\$13,806,837	\$3,561,341	\$49,891,391	\$13,855,514	\$3,778,860	\$50,157,587	\$100,048,978
General Fund	3,203,363	(456,328)	(767,846)	1,979,189	(445,671)	(748,618)	2,009,074	3,988,263
State/Other Special	2,487,760	3,479,995	521,151	6,488,906	3,523,996	611,873	6,623,629	13,112,535
Federal Special	26,832,090	10,783,170	3,808,036	41,423,296	10,777,189	3,915,605	41,524,884	82,948,180
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$32,523,213	\$13,806,837	\$3,561,341	\$49,891,391	\$13,855,514	\$3,778,860	\$50,157,587	\$100,048,978

Program Description

The purpose of the Health Policy and Services Division (HPSD) is to improve and protect the health and safety of Montanans. The division provides a wide range of preventive and public health services to individuals and communities. Services are provided through a broad range of private and public providers, including physicians; public health departments; clinics; and hospitals. The division administers public health programs including, but not limited to clinical and environmental laboratory services; Women's, Infants and Children's Special Nutrition Program (WIC); Maternal and Child Public Health Services; Immunization Programs; STD/HIV prevention; Food and Consumer Safety; Emergency Medical Services; Family Planning; chronic disease prevention; and Bioterrorism and Hospital Disaster Preparedness. Public health is administered at both the state level and at the local level through contract arrangements with local public health and other health service agencies.

Program Narrative

Health Policy and Services Division Major Appropriation Highlights	
○	Total funds increase \$35 million over the biennium compared to the fiscal 2002 base budget, with a net decrease of \$2.4 million general fund and funding for 30.50 FTE
??	Bioterrorism federal grants add \$20 million and fund 15.50 new FTE
??	Other federal categorical grant increases add \$7 million and fund 15.00 new FTE
○	Funding switch to enact F146 (tobacco settlement fund allocation) reduces general fund by \$1 million and increases state special revenue by a like amount
○	Funding reductions and eliminations decrease general fund by \$1.4 million
??	General fund support for MIAMI, poison control, AIDS services, family planning, epidemiology, tumor registry is eliminated
??	Funding for the 2005 biennium for MIAMI, poison control, and AIDS services are continued from the

Prevention and Stabilization Fund by SB 485

The Health Policy and Services Division (HSPD) appropriation increases \$35 million over the biennium compared to the fiscal 2002 base budget, predominantly in federal funds, which rise \$29 million. State special revenue appropriations increase \$8 million and offset more than \$1 million in general fund costs. General fund declines \$2.4 million. Funding for personal services increases to support 30.50 new FTE, due solely to federal grant funds.

General fund appropriations decline due to:

- Eliminating \$1.2 million in general fund support for the MIAMI, poison control, and AIDS services programs, which are funded in SB 485 from a diversion of tobacco settlement proceeds during the 2005 biennium only
- Offsetting \$1 million of base budget general fund tobacco control program costs with tobacco settlement revenue allocated by I-146
- Several general fund reductions totaling less than \$0.1 million in family planning, tumor registry, and operating costs

Federal appropriations rise due to:

- \$20 million for bioterrorism funding, including funding for 15.50 new FTE
- \$7 million in other federal grants for obesity prevention, family planning, Libby asbestos screening, immunizations, diabetes, and cardiovascular disease, including funding for 15.00 new FTE

State special revenue appropriations increase due to:

- A legislative initiative to fund \$5.4 million more in tobacco prevention and control programs than requested by the Governor and above base budget expenditures
- A funding switch using \$1.1 million of tobacco settlement revenue in place of general fund for tobacco control and prevention
- About \$1.0 million in fee income for laboratory equipment, supplies, and personnel costs

The figure on the next page shows appropriations for each of the major functions in the Health Policy and Services Division and major grants and benefits administered by the division. Fiscal 2002 actual expenditures and 2005 biennium appropriation amounts are listed.

Fiscal 2002 Base Budget Compared to 2005 Biennium Legislative Appropriation														
Health Policy and Services Division														
Major Function	Fiscal 2002 Actuals				Fiscal 2004 Legislative Appropriation				Fiscal 2005 Legislative Appropriation				Percent	
Grants and Benefits	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	of Total	
Major Function														
Division Administration	\$ 199,425	\$ 82,861	\$ 456,781	\$ 739,067	\$ 203,022	\$ 93,665	\$ 1,625,758	\$ 1,922,445	\$ 222,066	\$ 125,058	\$ 1,734,224	\$ 2,081,348	4%	
Health Systems	1,085,552	34,639	4,157,540	5,277,731	537,171	3,234,639	6,216,177	9,987,987	547,043	3,234,639	6,207,385	9,989,067	20%	
Family & Community Health	1,236,713	-	18,164,462	19,401,175	639,959	85,284	18,999,985	19,725,228	639,879	85,101	18,999,545	19,724,525	39%	
Communicable Disease Prev.	496,299	425,101	4,053,307	4,974,707	413,663	604,414	14,581,376	15,599,453	414,712	715,914	14,583,730	15,714,356	31%	
Laboratories	185,374	1,945,159	-	2,130,533	185,374	2,470,904	-	2,656,278	185,374	2,462,917	-	2,648,291	5%	
Total Division Budget	\$ 3,203,363	\$ 2,487,760	\$ 26,832,090	\$ 32,523,213	\$ 1,979,189	\$ 6,488,906	\$ 41,423,296	\$ 49,891,391	\$ 2,009,074	\$ 6,623,629	\$ 41,524,884	\$ 50,157,587	100%	
Percent of Total	10%	8%	83%	100%	4%	13%	83%	100%	4%	13%	83%	100%		
Grants*														
Women, Infants and Children	\$ -	\$ -	\$ 3,886,843	\$ 3,886,843	\$ -	\$ -	\$ 3,886,843	\$ 3,886,843	\$ -	\$ -	\$ 3,886,843	\$ 3,886,843	25%	
Bioterrorism*	-	-	-	-	-	-	7,055,377	7,055,377	-	-	6,501,776	6,501,776	41%	
Tobacco Control/Prevention	-	-	-	-	-	2,746,389	-	2,746,389	-	2,746,423	-	2,746,423	17%	
Family Planning	25,948	-	1,025,847	1,051,795	-	-	1,025,847	1,025,847	-	-	1,025,847	1,025,847	6%	
Maternal/Child Health Grnt	-	-	1,128,439	1,128,439	-	-	1,128,439	1,128,439	-	-	1,128,439	1,128,439	7%	
Food/Consumer Safety	-	359,370	-	359,370	-	363,620	-	363,620	-	363,870	-	363,870	2%	
MIAMI	475,604	-	-	475,604	(91,524)	-	-	(91,524)	(91,524)	-	-	(91,524)	-1%	
Breast/Cervical Cancer Screen	-	-	75,779	75,779	-	-	75,779	75,779	-	-	75,779	75,779	0%	
AIDS Prevention/Treatment	-	-	55,692	55,692	-	-	55,692	55,692	-	-	55,692	55,692	0%	
Health Systems Admin.	-	-	98,895	98,895	-	-	98,895	98,895	0	0	98,895	98,895	1%	
Total Grants	\$ 501,552	\$ 359,370	\$ 6,271,495	\$ 7,132,417	\$ (91,524)	\$ 3,110,009	\$ 13,326,872	\$ 16,345,357	\$ (91,524)	\$ 3,110,293	\$ 12,773,271	\$ 15,792,040	100%	
Percent of Total Grants	7.2%	8.2%	84.6%	100.0%	10.2%	7.9%	81.9%	100.0%	6.6%	8.3%	85.2%	100.0%		
Percent of Total Division	15.7%	14.4%	23.4%	21.9%	-4.6%	47.9%	32.2%	32.8%	-4.6%	47.0%	30.8%	31.5%		
Benefits														
Women, Infants and Children	\$ -	\$ -	\$ 9,423,803	\$ 9,423,803	\$ -	\$ -	\$ 9,423,803	\$ 9,423,803	\$ -	\$ -	\$ 9,423,803	\$ 9,423,803	100%	
AIDS Prevention/Treatment	35,310	-	-	35,310	(6,690)	-	-	(6,690)	(6,690)	-	-	(6,690)	0%	
Adjustments**	-	-	476	476	-	-	476	476	0	0	476	476	0%	
Total Benefits	\$ 35,310	\$ -	\$ 9,424,279	\$ 9,459,589	\$ (6,690)	\$ -	\$ 9,424,279	\$ 9,417,589	\$ (6,690)	\$ 0	\$ 9,424,279	\$ 9,417,589	100%	
Percent of Total Benefits	20%	5%	76%	100%	22%	2%	77%	100%	22%	2%	76%	100%		
Percent of Total Division	1.1%	0.0%	35.1%	29.1%	-0.3%	0.0%	22.8%	18.9%	-0.3%	0.0%	22.7%	18.8%	0%	

*Bioterrorism appropriations include a language appropriation for \$250,000 to purchase digital transmission ambulance radios for critical access hospitals.

**Adjustments included three small amounts, each under \$350, recorded in the base budgets for various functions unrelated to major categories listed in the table.

Division administration is 4 percent of the total division budget. The most significant changes in division administration are:

- Increases for the division allocation for the 2005 biennium pay plan
- Reductions for administrative cost savings

Health systems is 20 percent of the total division budget and administers emergency medical services, health planning, diabetes control, breast and cervical cancer screening, and tobacco prevention and control. The most significant changes are:

- Increase in tobacco control and prevention funding of \$5.4 million in tobacco settlement funds
- Increase in federal grant funding of \$3.5 million over the biennium, including funding 7.50 new FTE, for diabetes control, obesity prevention, and breast and cervical cancer screening

Family and community health is the largest function with 39 percent of the total division budget. Major responsibilities include the WIC program, family planning, MIAMI and genetics programs. The most significant changes are:

- A reduction of \$1.1 million in general fund for the MIAMI program, which is funded by tobacco settlement funds in SB 485 for the 2005 biennium
- A reduction of under \$0.1 million in general fund for the matching funds for WIC farmer's market and general fund support for the family planning function
- An increase of \$1.3 million in federal family planning grant funds, including funding for a 0.50 FTE
- An increase in funding for 3.00 FTE from other federal grant funds

Communicable disease prevention is about a third of the total division budget and major responsibilities include food and consumer safety, bioterrorism, tuberculosis control, immunization, and AIDS prevention. The most significant changes are:

- Increase in federal bioterrorism grants of \$20 million over the biennium, including funding for 15.50 new FTE
- General fund reductions of under \$0.2 million for epidemiology and AIDS services; AIDS service funding is continued by an appropriation of tobacco settlement revenue during the 2005 biennium in SB 485

Laboratory functions are 5 percent of the total division budget. The most significant changes are:

- Increases for laboratory supplies and equipment replacement
- Legislative initiative to continue general fund support for laboratory tests related to public health for which there is no specific payer and which had been recommended for reduction in the Executive Budget

Almost 50 percent of the fiscal 2005 appropriation supports grants and services (benefits) to individuals. The largest component is the WIC program, with a combined total of \$13 million in grants and benefits. The WIC program provides vouchers for food for low-income children under 5 and nursing mothers. Bioterrorism, although a relatively new function, supports \$6.5 million in grant funds, and supports upgrades of state and local health emergency preparedness. Tobacco control and prevention is the third largest appropriation with \$2.7 million in grant funds. Maternal child health grants to counties and family planning funds are the next most significant with more than \$1 million each. Maternal child health services cover a wide range of activities and support public health services for at-risk women and children. Family planning funds support local family planning services and cancer screening services, for example, for low-income men and women.

There are two negative adjustments in shown in the table: 1) MIAMI - (\$91,524); and 2) AIDS prevention/treatment - (\$6,690). The reductions in the Executive Budget more than offset expenditures, creating a negative adjustment that will need to be applied elsewhere in the division - either by reducing operating costs or other grants and benefits.

Program Reorganization

In the Executive Budget and Legislative Budget Analysis documents, this program also includes Medicaid and CHIP functions that were transferred during the legislative appropriation process to a new division - Child and Adult Health Care Resources (program 11). The legislature opted to structure appropriations to reflect a reorganization that DPHHS plans to implement July 1, 2003. The reorganization was proposed partly in response to a legislative request that DPHHS suggest options to improve the management and administration of children's mental health services. Those functions were transferred to the new division from the Addictive and Mental Disorders Division.

Funding

The table on the next page shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table						
Health Policy & Services Division						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 3,203,363	9.8%	\$ 1,979,189	4.0%	\$ 2,009,074	4.0%
02059 Emt Certification	34,639	0.1%	35,248	0.1%	37,244	0.1%
02199 Dhes Food & Consumer	39,942	0.1%	44,192	0.1%	44,442	0.1%
02366 Public Health Laboratory	1,416,738	4.4%	1,850,993	3.7%	1,912,731	3.8%
02367 Chem Lab Dphhs	528,421	1.6%	628,707	1.3%	587,851	1.2%
02379 02 Indirect Activity Prog 07	82,861	0.3%	84,191	0.2%	84,491	0.2%
02462 Food/Lodging License	385,159	1.2%	551,403	1.1%	658,156	1.3%
02679 School Health Educator Act	-	-	85,284	0.2%	85,101	0.2%
02786 Wholesale Food Reg. Fees	-	-	8,888	0.0%	13,613	0.0%
02790 Statewide Tobacco Prevention Fund	-	-	3,200,000	6.4%	3,200,000	6.4%
03004 Ems Data Injury	201,231	0.6%	238,835	0.5%	229,342	0.5%
03020 Ph Workforce Development	-	-	94,943	0.2%	94,876	0.2%
03026 Family Planning Title X	1,101,844	3.4%	1,709,063	3.4%	1,716,538	3.4%
03027 Wic (Women, Infants & Children)	14,139,979	43.5%	14,144,208	28.3%	14,154,087	28.2%
03030 Health Prevention & Services	901,517	2.8%	1,046,710	2.1%	1,054,646	2.1%
03031 Maternal & Child Health	1,742,139	5.4%	1,976,293	4.0%	1,988,923	4.0%
03074 Obesity Prevention	-	-	417,943	0.8%	419,052	0.8%
03159 Tuberculosis Grant	153,346	0.5%	153,289	0.3%	154,784	0.3%
03239 Chronic Disease Fed Cat#13-283	68,029	0.2%	107,924	0.2%	108,472	0.2%
03258 Diabetes Control	642,333	2.0%	807,621	1.6%	811,481	1.6%
03273 Primary Care Services	126,497	0.4%	110,424	0.2%	111,556	0.2%
03274 Ryan White Act, Title II	833,420	2.6%	833,870	1.7%	835,334	1.7%
03317 Ems - Highway Traffic Safety	65,344	0.2%	-	-	-	-
03321 Montana Lead Poisoning Prev	65,619	0.2%	-	-	-	-
03336 Food Inspection Program	36,096	0.1%	44,303	0.1%	44,981	0.1%
03337 Mt Central Tumor Registry	87,064	0.3%	170,695	0.3%	173,824	0.3%
03357 Healthy Child	125,751	0.4%	150,440	0.3%	152,535	0.3%
03362 Data Integration	125,660	0.4%	138,464	0.3%	139,409	0.3%
03368 Trauma System Development	24,955	0.1%	45,000	0.1%	45,000	0.1%
03370 Epi & Lab Surveillance E. Coli	233,456	0.7%	196,607	0.4%	197,506	0.4%
03371 Ficmr	82,817	0.3%	-	-	-	-
03383 Search Grant	69,300	0.2%	152,213	0.3%	152,867	0.3%
03429 Birth Defects Surveillance	53,368	0.2%	150,000	0.3%	150,000	0.3%
03580 93.778 - Med Adm 50%	31,874	0.1%	62,734	0.1%	64,227	0.1%
03596 03 Indirect Activity Prog 07	284,306	0.9%	1,391,321	2.8%	1,397,393	2.8%
03607 Cardiovascular Disease	260,833	0.8%	240,728	0.5%	240,502	0.5%
03668 Minority Health Assessment	21,928	0.1%	-	-	-	-
03681 6901-Mt Fd Safe Adv Cncl93.103	2,701	0.0%	2,701	0.0%	2,701	0.0%
03689 6901 Bioter Hosp Preparedness	-	-	2,824,997	5.7%	2,828,333	5.6%
03690 6901-Rape Prev & Educ 93.126	-	-	77,521	0.2%	77,521	0.2%
03822 Tobacco Control	820,626	2.5%	844,518	1.7%	848,444	1.7%
03929 Seroprevalence/Surveillance	60,267	0.2%	60,692	0.1%	62,084	0.1%
03936 Vaccination Program	619,796	1.9%	926,143	1.9%	932,987	1.9%
03937 Std Program	259,162	0.8%	271,300	0.5%	273,830	0.5%
03938 Aids Fed. Cat. #13.118	1,273,850	3.9%	1,306,706	2.6%	1,312,729	2.6%
03947 Breast & Cervical Cancer Prev.	1,040,994	3.2%	2,036,079	4.1%	2,041,208	4.1%
03959 Bioterrorism	455,131	1.4%	7,816,279	15.7%	7,831,653	15.6%
03969 Bunker Hill Project	140,601	0.4%	141,678	0.3%	145,151	0.3%
03998 Fetal Alcohol Syndrome	680,256	2.1%	731,054	1.5%	730,908	1.5%
Grand Total	\$ 32,523,213	100.0%	\$ 49,891,391	100.0%	\$ 50,157,587	100.0%

General fund support for HPSD declines from 10 percent of the 2002 base budget to 4 percent of the 2005 biennium budget. The reduction is due primarily: 1) a \$2 million general fund reduction for the MIAMI/perinatal program, poison control system, AIDS services, WIC farmers' market matching funds and family planning; and; 2) a \$1 million funding switch that replaces general fund with tobacco settlement state special revenue for tobacco prevention and control in the fiscal 2002 base expenditures. 2005 biennium costs for MIAMI, AIDS and poison control are funded in SB 485 with tobacco settlement proceeds and are not reflected in HB 2.

The majority of general fund supports:

- Emergency medical services functions - about \$0.9 million
- Public health laboratory functions that provide tests for such diseases as tuberculosis, whooping cough, West Nile virus, and over the past biennium, anthrax - about \$0.4 million

State special revenue rises from 1 percent of the 2002 base budget funding to 13 percent of the 2005 biennium budget appropriation. State special revenue supports:

- Tobacco prevention and control
- Emergency medical technician certification
- Public health laboratory functions
- Inspection of food establishments, wholesale food and pharmacy manufacturers, pools and spas

The primary changes in state special revenue appropriations are due to an increase in the amount of tobacco settlement revenue appropriated for tobacco prevention and control - about \$6 million. Other sources of state special revenue are fee income from emergency medical services (EMS) training and fees for food and consumer safety functions, including fee increases authorized in SB 464.

Federal funding remains constant at 83 percent of the fiscal 2002 base budget and of the 2005 biennium appropriation. Federal funds consist of about 30 federal categorical grants, including two federal block grants, the Maternal Child Health grant and the Preventive Health Block Grant. The purpose of most federal grants is consistent with the grant title.

The most significant federal funding source is for the WIC program (\$28 million over the biennium), followed by bioterrorism funding (\$20 million over the biennium). The legislature added language specifying that \$250,000 of federal bioterrorism and hospital emergency preparedness funds be used to purchase digital capable radios for ambulances that serve critical access hospitals.

Federal grant increases fund 30.50 new FTE. The legislature was clear in its intent that the positions will be funded as long as the federal grants are available to support the cost of FTE, but that funding for the FTE will not continue if federal grant funds decline.

Biennial Comparison

Since the Health Policy and Services division administered the Medicaid and CHIP (Children's Health Insurance Program) functions during the 2003 biennium (\$604 million over the biennium), the fiscal 2003 appropriations for those are estimated based on fiscal 2002 division expenditures. Base budget expenditures and appropriations and 2005 biennium appropriations for CHIP and Medicaid are shown in the new Child and Adult Health Care Resources Division.

2003 Biennium Compared to 2005 Biennium Health Policy and Services Division					
Budget Item/Fund	2003 Biennium	2005 Biennium	Percent of Total	Change	Percent of Change
FTE	-	162.53		162.53	
Personal Services	\$ 13,068,744	\$ 15,323,941	15%	\$ 2,255,197	8.6%
Operating Costs	27,171,115	31,079,558	31%	3,908,443	14.9%
Equipment	533,249	2,585,154	3%	2,051,905	7.8%
Grants	14,118,739	32,137,397	32%	18,018,658	68.8%
Benefits & Claims*	18,919,178	18,835,178	19%	(84,000)	-0.3%
Debt Service	32,058	87,750	0%	55,692	0.2%
Total Costs	<u>\$ 73,843,083</u>	<u>\$ 100,048,978</u>	<u>100%</u>	<u>\$ 26,205,895</u>	<u>100.0%</u>
General Fund*	\$ 6,404,726	\$ 3,988,263	4%	\$ (2,416,463)	-9.2%
State Special	10,340,150	13,112,528	13%	2,772,378	10.6%
Federal Funds*	<u>57,098,207</u>	<u>82,948,187</u>	<u>83%</u>	<u>25,849,980</u>	<u>98.6%</u>
Total Funds	<u>\$ 73,843,083</u>	<u>\$ 100,048,978</u>	<u>100%</u>	<u>\$ 26,205,895</u>	<u>100.0%</u>
Percent Increase				35.5%	
*The fiscal 2003 appropriation for benefits and claims in this division is estimated based on fiscal 2002 expenditures.					

The 2005 biennium appropriation is \$26.2 million total funds higher, due primarily to increases in the federal bioterrorism grant and legislative appropriations for tobacco prevention and control. General fund reductions, as discussed previously, are in the MIAMI, poison control, AIDS, epidemiology, family planning, and WIC farmers' market programs.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				867,113					869,248
Vacancy Savings				(255,285)					(255,368)
Inflation/Deflation				253					2,730
Fixed Costs				65,616					76,034
Total Statewide Present Law Adjustments				\$677,697					\$692,644
DP 39 - Distance Learning Coordinator Position									
1.00	0	0	46,583	46,583	1.00	0	0	46,451	46,451
DP 41 - Primary Care Recruitment of Local Medical Provider									
0.50	0	0	0	0	0.50	0	0	0	0
DP 57 - Enhance SEARCH Program									
0.00	0	0	82,700	82,700	0.00	0	0	82,700	82,700
DP 60 - FDA Contract Increase									
0.00	0	0	8,000	8,000	0.00	0	0	8,000	8,000
DP 64 - Bioterrorism Preparedness									
15.50	0	0	10,181,468	10,181,468	15.50	0	0	10,181,296	10,181,296
DP 70 - Increase Laboratory Supply Budget									
0.00	0	64,000	0	64,000	0.00	0	98,000	0	98,000
DP 100 - Tobacco Prevention Funding									
0.00	(453,611)	3,200,000	0	2,746,389	0.00	(453,577)	3,200,000	0	2,746,423
Total Other Present Law Adjustments									
17.00	(\$453,611)	\$3,264,000	\$10,318,751	\$13,129,140	17.00	(\$453,577)	\$3,298,000	\$10,318,447	\$13,162,870
Grand Total All Present Law Adjustments				\$13,806,837					\$13,855,514

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 37 - Family Planning Increased Federal Authority										
07	0.50	0	0	604,793	604,793	0.50	0	0	604,793	604,793
DP 40 - Obesity Prevention Program										
07	2.00	0	0	417,510	417,510	2.00	0	0	417,232	417,232
DP 42 - Immunization Increase										
07	0.00	0	0	300,000	300,000	0.00	0	0	300,000	300,000
DP 45 - Behavior Risk Factor Surveillance Coordinator										
07	1.00	0	0	53,398	53,398	1.00	0	0	53,252	53,252
DP 48 - Fetal Alcohol Syndrome Coordinator										
07	1.00	0	0	50,798	50,798	1.00	0	0	50,652	50,652
DP 49 - Pay Off Wells Fargo Loan for Equipment										
07	0.00	0	51,988	0	51,988	0.00	0	0	0	0
DP 51 - WIC Administrative Support										
07	1.00	0	0	0	0	1.00	0	0	0	0
DP 53 - Montana Breast & Cervical Health Program										
07	1.00	0	0	939,750	939,750	1.00	0	0	939,618	939,618
DP 54 - Epidemiology Support for Diabetes Program										
07	0.50	0	0	175,745	175,745	0.50	0	0	175,276	175,276
DP 55 - School Health Coordinator										
07	1.00	0	85,284	0	85,284	1.00	0	85,101	0	85,101
DP 67 - Laboratory Equipment Replacement										
07	0.00	0	195,000	0	195,000	0.00	0	195,000	0	195,000
DP 237 - Cardiovascular Disease 1.5 FTE										
07	1.50	0	0	54,128	54,128	1.50	0	0	53,997	53,997
DP 245 - Eliminate General Fund - Poison Control System										
07	0.00	(38,954)	0	0	(38,954)	0.00	(38,954)	0	0	(38,954)
DP 246 - Reduce Tumor Registry General Fund Support										
07	0.00	(26,774)	0	0	(26,774)	0.00	(26,774)	0	0	(26,774)
DP 248 - Reduce Epidemiology and Surveillance Gen Fund										
07	0.00	(25,000)	0	0	(25,000)	0.00	(25,000)	0	0	(25,000)
DP 249 - Eliminate General Fund - AIDS Treatment										
07	0.00	(42,000)	0	0	(42,000)	0.00	(42,000)	0	0	(42,000)
DP 250 - Eliminate General Fund - MIAMI/Perinatal										
07	0.00	(567,128)	0	0	(567,128)	0.00	(567,128)	0	0	(567,128)
DP 251 - Eliminate Farmers' Market WIC Match										
07	0.00	(12,828)	0	0	(12,828)	0.00	(12,828)	0	0	(12,828)
DP 252 - Eliminate Family Planning Gen Fund Support										
07	0.00	(25,948)	0	0	(25,948)	0.00	(25,948)	0	0	(25,948)
DP 255 - Environmental Health Tracking										
07	2.00	0	0	510,866	510,866	2.00	0	0	510,866	510,866
DP 256 - Libby Asbestos Screening										
07	2.00	0	0	590,000	590,000	2.00	0	0	590,000	590,000
DP 259 - Reduce HPSD Administration										
07	0.00	(35,000)	0	0	(35,000)	0.00	(35,000)	0	0	(35,000)
DP 261 - Rape Prevention										
07	0.00	0	0	77,521	77,521	0.00	0	0	77,521	77,521
DP 783 - Wholesale Food Licensure - HB 159										
07	0.00	0	8,888	0	8,888	0.00	0	13,613	0	13,613
DP 787 - SB 464 - Food Establishment Licensure										
07	0.00	0	161,925	0	161,925	0.00	0	268,200	0	268,200
DP 6800 - HB 13 -Pay Plan										
07	0.00	5,786	9,566	33,527	48,879	0.00	25,014	40,959	142,398	208,371
DP 8063 - Pool & Spa Exemptions										
07	0.00	0	8,500	0	8,500	0.00	0	9,000	0	9,000
Total	13.50	(\$767,846)	\$521,151	\$3,808,036	\$3,561,341	13.50	(\$748,618)	\$611,873	\$3,915,605	\$3,778,860

Language

The legislature added the following language to HB 2.

"Item [tobacco prevention and control] includes \$80,000 each year for each federally recognized tribe within Montana. In accordance with 17-6-602(3)(b)(ii) that submits and administers a tobacco prevention and control program that meets all of the conditions required of all community-based contractors. If tobacco prevention and control funds granted to a

federally recognized tribe within Montana are not fully expended by the individual grantee within the contract period, these funds may be reallocated for other tobacco use prevention purposes."

"Item [Health Policy and Services Division] includes a biennial appropriation of \$250,000 in federal funds for the purchase of radios for ambulances that serve critical access hospitals. The ambulance radios must be modern digital radios that allow encrypted data and voice transmissions from the filed unit using a single radio. The appropriations are made from the federal bioterrorism and hospital emergency preparedness funds."

Sub-Program Details

Division Administration 01

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	9.00	0.00	4.00	13.00	0.00	4.00	13.00	13.00
Personal Services	462,697	63,558	247,157	773,412	62,455	405,991	931,143	1,704,555
Operating Expenses	276,370	5,075	867,588	1,149,033	5,589	868,246	1,150,205	2,299,238
Total Costs	\$739,067	\$68,633	\$1,114,745	\$1,922,445	\$68,044	\$1,274,237	\$2,081,348	\$4,003,793
General Fund	199,425	32,811	(29,214)	203,022	32,627	(9,986)	222,066	425,088
State/Other Special	82,861	1,238	9,566	93,665	1,238	40,959	125,058	218,723
Federal Special	456,781	34,584	1,134,393	1,625,758	34,179	1,243,264	1,734,224	3,359,982
Total Funds	\$739,067	\$68,633	\$1,114,745	\$1,922,445	\$68,044	\$1,274,237	\$2,081,348	\$4,003,793

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				85,486					84,337
Vacancy Savings				(21,928)					(21,882)
Inflation/Deflation				916					1,022
Fixed Costs				4,159					4,567
Total Statewide Present Law Adjustments				\$68,633					\$68,044
Grand Total All Present Law Adjustments				\$68,633					\$68,044

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 255 - Environmental Health Tracking										
01	2.00	0	0	510,866	510,866	2.00	0	0	510,866	510,866
DP 256 - Libby Asbestos Screening										
01	2.00	0	0	590,000	590,000	2.00	0	0	590,000	590,000
DP 259 - Reduce HPSD Administration										
01	0.00	(35,000)	0	0	(35,000)	0.00	(35,000)	0	0	(35,000)
DP 6800 - HB 13 - Pay Plan										
01	0.00	5,786	9,566	33,527	48,879	0.00	25,014	40,959	142,398	208,371
Total	4.00	(\$29,214)	\$9,566	\$1,134,393	\$1,114,745	4.00	(\$9,986)	\$40,959	\$1,243,264	\$1,274,237

New Proposals

DP 255 - Environmental Health Tracking - This appropriation establishes authority for Environmental Health Tracking through a five-year cooperative agreement between the National Center for Environmental Health at the Centers for Disease Control and Prevention and DPHHS. The proposal is supported by a five-year federal grant of \$510,866 per year. The funding supports 2.00 FTE to work with the agency medical officer and consultants from other state agencies and institutions as well as the national center to establish a program linking environmental exposures and chronic diseases with the goal of averting adverse public health exposures.

Montana was 1 of 10 states to receive the federal award. HB 582, passed by the 2001 legislature, directed the DPHHS to

determine the feasibility of establishing a tracking system for chronic diseases related to environmental sources.

DP 256 - Libby Asbestos Screening - The legislature authorized the establishment and operation of a screening and surveillance program in Libby for current and prior residents exposed to asbestos minerals from vermiculite. The federal Agency for Toxic Substances and Disease Registry has granted DPHHS \$590,000 per year for a period of five years. This program will provide screening and surveillance services and funds 2.00 FTE.

This program will operate year round, rather than summers only as in the current federal program, allowing individuals a greater period of access to the testing. Individuals identified with medical problems will be informed of the test results and referred to a health care facility of their choice. The federal program identified evidence of asbestos related health problems in approximately 18 percent of the 7,307 persons tested.

DP 259 - Reduce HPSD Administration - The legislature accepted the executive proposal to reduce the administrative budget by \$70,000 general fund over the biennium.

DP 6800 - HB 13 - Pay Plan - The legislature approved a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

The Health Policy and Services Division allocation to implement the pay plan is \$257,250 total funds over the biennium, including \$48,879 general fund. These funds are included in the Division Administration subprogram function, but will be allocated among other subprograms.

Sub-Program Details

Health Systems 03

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	36.39	1.50	6.00	43.89	1.50	6.00	43.89	43.89
Personal Services	1,463,254	316,079	276,396	2,055,729	315,936	275,637	2,054,827	4,110,556
Operating Expenses	3,639,453	72,985	1,298,407	5,010,845	75,330	1,298,010	5,012,793	10,023,638
Grants	174,674	2,746,389	0	2,921,063	2,746,423	0	2,921,097	5,842,160
Benefits & Claims	350	0	0	350	0	0	350	700
Total Costs	\$5,277,731	\$3,135,453	\$1,574,803	\$9,987,987	\$3,137,689	\$1,573,647	\$9,989,067	\$19,977,054
General Fund	1,085,552	(482,653)	(65,728)	537,171	(472,781)	(65,728)	547,043	1,084,214
State/Other Special	34,639	3,200,000	0	3,234,639	3,200,000	0	3,234,639	6,469,278
Federal Special	4,157,540	418,106	1,640,531	6,216,177	410,470	1,639,375	6,207,385	12,423,562
Total Funds	\$5,277,731	\$3,135,453	\$1,574,803	\$9,987,987	\$3,137,689	\$1,573,647	\$9,989,067	\$19,977,054

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				315,241					315,294
Vacancy Savings				(71,144)					(71,143)
Inflation/Deflation				(161)					923
Fixed Costs				15,845					17,041
Total Statewide Present Law Adjustments				\$259,781					\$262,115
DP 39 - Distance Learning Coordinator Position	1.00	0	46,583	46,583	1.00	0	0	46,451	46,451
DP 41 - Primary Care Recruitment of Local Medical Provider	0.50	0	0	0	0.50	0	0	0	0
DP 57 - Enhance SEARCH Program	0.00	0	82,700	82,700	0.00	0	0	82,700	82,700
DP 100 - Tobacco Prevention Funding	0.00	(453,611)	3,200,000	2,746,389	0.00	(453,577)	3,200,000	0	2,746,423
Total Other Present Law Adjustments	1.50	(\$453,611)	\$3,200,000	\$2,875,672	1.50	(\$453,577)	\$3,200,000	\$129,151	\$2,875,574
Grand Total All Present Law Adjustments				\$3,135,453					\$3,137,689

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 39 - Distance Learning Coordinator Position - The legislature approved \$93,034 in federal funds and funding for 1.00 FTE for the biennium to make permanent the modified position for the state distance learning coordinator. The coordinator develops and evaluates statewide distance learning activities for training the public health workforce. The coordinator promotes distance-learning offerings from multiple sources to public health professionals throughout the state and works closely with the Public Health Disaster Coordinator to develop satellite-receiving capability throughout Montana. This position is an integral component of the bioterrorism preparedness effort and of the public health training institute.

DP 41 - Primary Care Recruitment of Local Medical Provider - The legislature approved the executive request to move spending authority from contracted services to personal services to fund 0.50 FTE to improve recruitment and retention of medical providers in Montana's rural areas. These services are currently provided by temporary contracted services. This FTE will implement the State Conrad 20 program to allow foreign medical graduates to serve in medically underserved areas that have been unable to recruit American born physicians and to implement a medical provider recruiting and tracking program. This position will also assist communities in preparing health personnel shortage area designations. Communities could be eligible for a variety of federal programs including community health center funding, rural health clinic status, and National Health Service Corporation loan repayment, and scholarships.

DP 57 - Enhance SEARCH Program - The legislature added \$82,700 federal funds for the National Health Services Corps SEARCH program. The NHSC SEARCH program arranges preceptorships in rural and underserved areas for primary care residents, medical and dental students, mid-level students, and mental health students. The funding would be utilized to contract for developing mental health and dental preceptorships and to support the costs for placing students in underserved rural areas of Montana. NHSC SEARCH participants work with Montana providers who donate their teaching time. Some of the additional funding would help the program expand to include mental health and dental students, develop a preceptor-training program, and to improve community-based training experiences. The program helps link communities with academic institutions, provides community-based training in rural and underserved areas, nurtures cultural competencies, and helps enhance recruitment efforts for rural areas.

DP 100 - Tobacco Prevention Funding - The legislature accepted the executive request to replace \$907,188 general fund with a like amount of state special revenue funds (tobacco settlement funds) for the biennium due to the passage of Initiative 146. In addition the legislature added state special revenue to bring annual expenditures from funds allocated by 1-146 to \$3.2 million annually.

The initiative created a state special revenue account, which receives 32 percent of the tobacco settlement proceeds received by the state each year. This program was transferred to the Health Policy and Services Division for the 2005 biennium. It had been administered by the Director's Office during the 2003 biennium.

New Proposals											
Sub Program	FTE	Fiscal 2004				Fiscal 2005				Total Funds	
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special		
DP 40 - Obesity Prevention Program											
03	2.00	0	0	417,510	417,510	2.00	0	0	417,232	417,232	
DP 45 - Behavior Risk Factor Surveillance Coordinator											
03	1.00	0	0	53,398	53,398	1.00	0	0	53,252	53,252	
DP 53 - Montana Breast & Cervical Health Program											
03	1.00	0	0	939,750	939,750	1.00	0	0	939,618	939,618	
DP 54 - Epidemiology Support for Diabetes Program											
03	0.50	0	0	175,745	175,745	0.50	0	0	175,276	175,276	
DP 237 - Cardiovascular Disease 1.5 FTE											
03	1.50	0	0	54,128	54,128	1.50	0	0	53,997	53,997	
DP 245 - Eliminate General Fund - Poison Control System											
03	0.00	(38,954)	0	0	(38,954)	0.00	(38,954)	0	0	(38,954)	
DP 246 - Reduce Tumor Registry General Fund Support											
03	0.00	(26,774)	0	0	(26,774)	0.00	(26,774)	0	0	(26,774)	
Total	6.00	(\$65,728)	\$0	\$1,640,531	\$1,574,803	6.00	(\$65,728)	\$0	\$1,639,375	\$1,573,647	

New Proposals

DP 40 - Obesity Prevention Program - The legislature accepted the executive request for \$834,742 federal funds over the biennium and funding for 2.00 FTE. The FTE, a program coordinator and a health education specialist will develop and implement a statewide obesity prevention plan, in conjunction with cardiovascular disease prevention task force members. The funds will be used to create a surveillance system to assess and monitor the prevalence of overweight or obese Montana adults and youth. In addition, funding will be used to develop pilot nutrition and physical activity programs for Native American children and their families living on several Montana reservations and in other communities as well.

DP 45 - Behavior Risk Factor Surveillance Coordinator - The legislature approved the executive request to add \$106,650

in federal funds over the biennium and fund 1.00 FTE for the state Behavior Risk Factor Surveillance System (BRFSS) coordinator and for data analysis and epidemiological support to the Montana Breast and Cervical Health Program. The FTE is currently a modified FTE and this proposal would make the FTE permanent.

This position coordinates the BRFSS data collection, analyzes and distributes survey results using appropriate statistical methods, and disseminates survey results through annual and health issue-specific reports. BRFSS is a state-based program that provides the primary source of information on health risk behaviors among Montana's adult population such as perceived health status, access to health care, use of preventive health services, disabilities, tobacco and alcohol use, dietary patterns, physical activities, injury control, and women's health issues. Montana has participated in BRFSS since 1984. The number of Montanans interviewed has increased from 855 in 1984 to 3,000 in 2001.

In addition, this position provides data analysis and epidemiological support to the Montana Breast and Cervical Health Program (MBCHP). These duties include analysis of client information regarding breast and cervical cancer screening services, vital records and Montana Central Tumor Registry data regarding cancer in Montana, BRFSS data regarding cancer screening and prevention practices, and linking of MBCHP data with Montana Central Tumor Registry data.

DP 53 - Montana Breast & Cervical Health Program - This legislature accepted the executive request to add \$1.8 million federal funds and funding for 1.00 FTE for the Montana Breast and Cervical Health (MBCH) program. This proposal makes permanent the modified position for the American Indian screening coordinator position and will provide American Indian women on each of the seven reservations a variety of specialized health care systems to increase the likelihood that cancers are detected at a treatable stage. Funding will also support an increase in the number of cancer screens provided to women.

Each year, an estimated 600 new cases of breast cancer and 50 cases of cervical cancer will be detected in Montana women. The target population includes women who are 50-64 years of age, are uninsured or under insured, have a family gross income at or below 200 percent of the current federal poverty level, and have rarely or never been screened for cervical cancer.

DP 54 - Epidemiology Support for Diabetes Program - The legislature added \$351,021 federal funds over the biennium and funding for 0.50 FTE for epidemiology support for the Montana Diabetes program. The position is responsible for designing and implementing surveillance, evaluation systems, and providing statistical and data analysis. These systems are used to set program priorities, design prevention and control programs, and evaluate results. The Montana Diabetes Program works with primary care clinics across the state to improve clinical care of diabetes patients and to increase public awareness and recognition of diabetes as a major health risk.

DP 237 - Cardiovascular Disease 1.5 FTE - The legislature approved funding for 1.50 FTE and appropriated \$108,125 in federal funds for the biennium to continue 1.00 FTE administrative staff support for the Cardiovascular Health Program and 0.50 FTE epidemiology position shared by the Cardiovascular Health and the Diabetes Programs.

DP 245 - Eliminate General Fund - Poison Control System - The legislature accepted the executive proposal to eliminate the general fund support for the poison control system for a \$77,908 general fund biennial savings. The legislature continued the service by appropriating a like amount of state special revenue in SB 485 from the Prevention and Stabilization Fund for DPHHS. The poison control system handles nearly 10,000 cases per year. Home management is recommended in a majority of these cases resulting in a reduction in emergency room visits.

DP 246 - Reduce Tumor Registry General Fund Support - The legislature accepted the executive request to reduce general fund support for the Tumor Registry by 33 percent, for a savings of \$53,548 over the biennium. This proposal reduces or eliminates services to reporting facilities including on-site training, software support, and data follow-up. The reduction may result in less timely and less accurate information in the tumor registry and may compromise ability to monitor trends and to detect cancer clusters.

Sub-Program Details

Family & Community Health 04

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	27.27	0.00	3.50	30.77	0.00	3.50	30.77	30.77
Personal Services	1,106,715	184,449	155,878	1,447,042	182,892	155,443	1,445,050	2,892,092
Operating Expenses	2,327,976	4,633	572,169	2,904,778	5,816	572,275	2,906,067	5,810,845
Grants	6,542,681	0	(593,076)	5,949,605	0	(593,076)	5,949,605	11,899,210
Benefits & Claims	9,423,803	0	0	9,423,803	0	0	9,423,803	18,847,606
Total Costs	\$19,401,175	\$189,082	\$134,971	\$19,725,228	\$188,708	\$134,642	\$19,724,525	\$39,449,753
General Fund	1,236,713	9,150	(605,904)	639,959	9,070	(605,904)	639,879	1,279,838
State/Other Special	0	0	85,284	85,284	0	85,101	85,101	170,385
Federal Special	18,164,462	179,932	655,591	18,999,985	179,638	655,445	18,999,545	37,999,530
Total Funds	\$19,401,175	\$189,082	\$134,971	\$19,725,228	\$188,708	\$134,642	\$19,724,525	\$39,449,753

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				238,247					236,626
Vacancy Savings				(53,798)					(53,734)
Inflation/Deflation				(1,446)					(1,064)
Fixed Costs				6,079					6,880
Total Statewide Present Law Adjustments				\$189,082					\$188,708
Grand Total All Present Law Adjustments				\$189,082					\$188,708

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
-----Fiscal 2004-----					-----Fiscal 2005-----					
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 37 - Family Planning Increased Federal Authority										
04	0.50	0	0	604,793	604,793	0.50	0	0	604,793	604,793
DP 48 - Fetal Alcohol Syndrome Coordinator										
04	1.00	0	0	50,798	50,798	1.00	0	0	50,652	50,652
DP 51 - WIC Administrative Support										
04	1.00	0	0	0	0	1.00	0	0	0	0
DP 55 - School Health Coordinator										
04	1.00	0	85,284	0	85,284	1.00	0	85,101	0	85,101
DP 250 - Eliminate General Fund - MIAMI/Perinatal										
04	0.00	(567,128)	0	0	(567,128)	0.00	(567,128)	0	0	(567,128)
DP 251 - Eliminate Farmers' Market WIC Match										
04	0.00	(12,828)	0	0	(12,828)	0.00	(12,828)	0	0	(12,828)
DP 252 - Eliminate Family Planning General Fund Support										
04	0.00	(25,948)	0	0	(25,948)	0.00	(25,948)	0	0	(25,948)
Total	3.50	(\$605,904)	\$85,284	\$655,591	\$134,971	3.50	(\$605,904)	\$85,101	\$655,445	\$134,642

New Proposals

DP 37 - Family Planning Increased Federal Authority - The legislature approved the executive request for \$1.2 million of additional federal funds for an increased family planning grant for the next biennium and funding for 0.50 FTE for the Women's and Men's Health Section. Additional federal resources would enhance existing services and enable contractors to expand to additional populations. The increase in the Title X family planning federal grant will offset the \$51,896 general fund reduction that was previously distributed to local programs (see DP 252).

DP 48 - Fetal Alcohol Syndrome Coordinator - The legislature accepted the executive request for \$101,450 in federal funds for the biennium for fetal alcohol syndrome prevention and funding for 1.00 FTE fetal alcohol syndrome coordinator position. The position is currently filled.

DP 51 - WIC Administrative Support - The legislature approved the executive request for funding an additional 1.00 FTE for WIC. The proposal does not add any additional authority since \$53,550 in funding over the biennium is moved from operating expenses for a contract position to personal services to fund a permanent FTE.

A temporary worker presently fills the position, and conversion to employee status would address vendor management issues identified in a program review in 2001.

DP 55 - School Health Coordinator - The legislature accepted the executive request to fund 1.00 FTE to make permanent the current modified position for the Coordinated School Health program and for additional operating expenses, adding \$170,385 in state special revenue authority for the biennium. The project is a federal funded joint effort with the department and the Office of Public Instruction to implement a Coordinated School Health Program with staff in both departments.

DP 250 - Eliminate General Fund - MIAMI/Perinatal - The legislature accepted the executive proposal to eliminate \$1.1 million general fund for the MIAMI/Perinatal Program. The legislature chose to continue the program by appropriating state special revenue in SB 485 from the Prevention and Stabilization Fund for DPHHS.

Funding in SB 485 will support community based public health services in 22 counties and 6 reservations and 30 percent of the required state matching funds for the MCH block grant (\$2.8 million annually). These services are established and described in MCA 50-19-301 as Montana's Initiative for the Abatement of Mortality in Infants, or the MIAMI program, and in MCA 50-19-401 as the Fetal, Infant and Child Mortality Prevention Act. This funding will continue all county and reservation based MIAMI programs, providing public health home visiting programs and services for about 1,500 high risk pregnant women statewide.

DP 251 - Eliminate Farmers' Market WIC Match - The legislature accepted the executive request to remove general fund support for the farmers' market nutrition program of \$25,656 over the biennium. This funding provides the required match to receive federal WIC Farmer's Market Nutrition Program dollars - about a 30/70 state/federal split. In the fiscal 2002 base budget year, the farmers' market grant provided food benefits to about 2,200 persons, and \$59,864 in revenue, for 10 to 15 farmers' markets statewide.

DP 252 - Eliminate Family Planning General Fund Support - The legislature accepted the executive recommendation to eliminate \$51,896 general fund support for family planning. DPHHS staff testified that an increase in the federal Title X family planning grant would cover the general fund reduction and that the increase in the Title X grant is expected to be ongoing (see DP 37).

The general fund accounted for a small amount of the required state MCH block grant match. DPHHS believes that local funds and in-kind match provided by local programs will be adequate to offset the general fund match.

Sub-Program Details

Communicable Disease 05

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	30.37	15.50	0.00	45.87	15.50	0.00	45.87	45.87
Personal Services	1,395,713	638,165	0	2,033,878	637,747	0	2,033,460	4,067,338
Operating Expenses	3,022,833	1,488,751	527,584	5,039,168	1,577,583	638,834	5,239,250	10,278,418
Equipment	105,663	952,619	0	1,058,282	1,421,209	0	1,526,872	2,585,154
Grants	415,062	7,055,377	4,250	7,474,689	6,501,776	4,500	6,921,338	14,396,027
Benefits & Claims	35,436	0	(42,000)	(6,564)	0	(42,000)	(6,564)	(13,128)
Total Costs	\$4,974,707	\$10,134,912	\$489,834	\$15,599,453	\$10,138,315	\$601,334	\$15,714,356	\$31,313,809
General Fund	496,299	(15,636)	(67,000)	413,663	(14,587)	(67,000)	414,712	828,375
State/Other Special	425,101	0	179,313	604,414	0	290,813	715,914	1,320,328
Federal Special	4,053,307	10,150,548	377,521	14,581,376	10,152,902	377,521	14,583,730	29,165,106
Total Funds	\$4,974,707	\$10,134,912	\$489,834	\$15,599,453	\$10,138,315	\$601,334	\$15,714,356	\$31,313,809

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				(11,740)					(9,781)
Vacancy Savings				(55,359)					(55,438)
Inflation/Deflation				522					1,398
Fixed Costs				12,021					12,840
Total Statewide Present Law Adjustments				(\$54,556)					(\$50,981)
DP 60 - FDA Contract Increase									
0.00	0	0	8,000	8,000	0.00	0	0	8,000	8,000
DP 64 - Bioterrorism Preparedness									
15.50	0	0	10,181,468	10,181,468	15.50	0	0	10,181,296	10,181,296
Total Other Present Law Adjustments									
15.50	\$0	\$0	\$10,189,468	\$10,189,468	15.50	\$0	\$0	\$10,189,296	\$10,189,296
Grand Total All Present Law Adjustments				\$10,134,912					\$10,138,315

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 60 - FDA Contract Increase - The legislature approved the executive request for an additional \$16,000 federal funds for the biennium for contracting authority increases. DPHHS contracts with the FDA to inspect food manufacturers that ship their products across state lines (interstate).

DP 64 - Bioterrorism Preparedness - The legislature appropriated \$20 million federal funds, including funds for 15.50 FTE, for the biennium, for bioterrorism. These funds will be used to upgrade state and local public health jurisdiction preparedness for and response to bioterrorism, other outbreaks of infectious disease, and other public health threats and emergencies, and to upgrade hospital preparedness.

The legislature also added language to HB 2 directing that \$250,000 of bioterrorism and hospital emergency preparedness be used to purchase digital capable radios for ambulances that serve critical access hospitals.

Key focus areas include:

- Preparedness planning and readiness assessment
- National pharmaceutical stockpile (NPS) preparedness
- Disease surveillance
- Laboratory capacity improvement, which could involve construction

Development of a health alert network, which provides local health departments with the connectivity to allow rapid receipt and transmission of urgent health information and alerts

- Information and training on communicating health risks and dissemination
- Education and training for responders and the public health workforce, including distance learning and satellite system development
- Assistance to hospitals and other care providers to improve their ability to respond to a bioterrorism event or other public health emergency

The types of FTE that are included are: program management positions; NPS manager; an emergency medical services disaster manager; a contract manager; a surveillance/epidemiology assistant; a public health veterinarian; a laboratory bioterrorism manager; health alert network coordinator; emergency communications coordinator; emergency preparedness training coordinator; distance learning/website coordinator; hospital coordinator; and administrative assistants.

New Proposals										
Sub Program	Fiscal 2004					Fiscal 2005				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 42 - Immunization Increase										
05	0.00	0	0	300,000	300,000	0.00	0	0	300,000	300,000
DP 248 - Reduce Epidemiology and Surveillance General Fund										
05	0.00	(25,000)	0	0	(25,000)	0.00	(25,000)	0	0	(25,000)
DP 249 - Eliminate General Fund - AIDS Treatment										
05	0.00	(42,000)	0	0	(42,000)	0.00	(42,000)	0	0	(42,000)
DP 261 - Rape Prevention										
05	0.00	0	0	77,521	77,521	0.00	0	0	77,521	77,521
DP 783 - Wholesale Food Licensure - HB 159										
05	0.00	0	8,888	0	8,888	0.00	0	13,613	0	13,613
DP 787 - SB 464 - Food Establishment Licensure										
05	0.00	0	161,925	0	161,925	0.00	0	268,200	0	268,200
DP 8063 - Pool & Spa Exemptions										
05	0.00	0	8,500	0	8,500	0.00	0	9,000	0	9,000
Total	0.00	(\$67,000)	\$179,313	\$377,521	\$489,834	0.00	(\$67,000)	\$290,813	\$377,521	\$601,334

New Proposals

DP 42 - Immunization Increase - The legislature accepted the executive proposal for \$600,000 in federal funds over the biennium to support increased immunization activities at county public health departments and to distribute vaccine and provide required quality control for the vaccine supply.

The immunization program contracts with the county health department for specific immunization activities at the local county/community level. The program also distributes federally provided vaccine to the public health clinics and private physician offices and makes quality assurance visits to each clinic annually.

DP 248 - Reduce Epidemiology and Surveillance General Fund - The legislature accepted the executive proposal to reduce \$50,000 general fund over the biennium for epidemiology and surveillance. The reduction increases the allocation of costs of the state epi program to federally funded grant programs. The general fund was also used to address emergencies in local communities related to disease outbreaks, such as the 1999 Hepatitis outbreak in Cascade County. The legislature concluded that the Governor's emergency funds could be used to help local entities with the cost of disease investigations and outbreaks.

DP 249 - Eliminate General Fund - AIDS Treatment - The legislature accepted the executive request to reduce general fund support for AIDS treatment by \$84,000 over the biennium. The legislature continued the services from the state

special revenue Prevention and Stabilization fund for DPHHS by appropriating state special revenue in SB 485.

The funding in SB 485 will be used in three ways: 1) to fund a work incentives program which allowed persons previously disabled by AIDS to return to work part time; 2) to finance emergency housing assistance; and 3) to access dental care.

DP 261 - Rape Prevention - The legislature added \$155,042 in federal funds for the biennium for the Montana rape prevention and education programs. The Montana rape prevention and education program provides funds to qualified education sites throughout the state.

DP 783 - Wholesale Food Licensure - HB 159 - The legislature added \$22,401 state special revenue over the biennium to implement HB 159, which established inspection and licensure of wholesale food establishments and wholesale and retail nonprescription drug manufacturers. The state special revenue is from a portion of license and late fees and penalties established pursuant to HB 159.

DP 787 - SB 464 - Food Establishment Licensure - The legislature added \$190,125 state special revenue over the biennium due to approval of SB 464, which revised some of the laws related to inspection and licensure of retail food establishments. The source of state special revenue is an increase in license fees from \$60 to \$75.

One change made by SB 464 requires DPHHS to establish an advisory council, composed of equal numbers of retail food establishment representatives and state and local government officials. DPHHS must present proposed rule and law changes to the council for its review and comment prior to adoption of the rule or law.

DP 8063 - Pool & Spa Exemptions - Swimming pools and spas owned and operated by subdivisions of state government are exempt from the \$50 or \$75 per year license fee, depending on type of facility, but are inspected and regulated identically to those operated by private entities. The legislature accepted the request for an increase in state special revenue of \$17,500 over the biennium to allow the department to charge for the inspections commensurate with costs.

Sub-Program Details

Lab 07

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	29.00	0.00	0.00	29.00	0.00	0.00	29.00	29.00
Personal Services	1,086,488	186,823	0	1,273,311	189,601	0	1,276,089	2,549,400
Operating Expenses	1,026,164	91,934	195,000	1,313,098	133,157	195,000	1,354,321	2,667,419
Debt Service	17,881	0	51,988	69,869	0	0	17,881	87,750
Total Costs	\$2,130,533	\$278,757	\$246,988	\$2,656,278	\$322,758	\$195,000	\$2,648,291	\$5,304,569
General Fund	185,374	0	0	185,374	0	0	185,374	370,748
State/Other Special	1,945,159	278,757	246,988	2,470,904	322,758	195,000	2,462,917	4,933,821
Total Funds	\$2,130,533	\$278,757	\$246,988	\$2,656,278	\$322,758	\$195,000	\$2,648,291	\$5,304,569

Present Law Adjustments												
-----Fiscal 2004-----						-----Fiscal 2005-----						
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds			
Personal Services				239,879					242,772			
Vacancy Savings				(53,056)					(53,171)			
Inflation/Deflation				422					451			
Fixed Costs				27,512					34,706			
Total Statewide Present Law Adjustments				\$214,757	\$224,758							
DP 70 - Increase Laboratory Supply Budget	0.00	0	64,000	0	64,000	0.00	0	98,000	0	98,000		
Total Other Present Law Adjustments				0.00	\$0	\$64,000	\$0	\$64,000	0.00	\$0	\$98,000	\$98,000
Grand Total All Present Law Adjustments				\$278,757	\$322,758							

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 70 - Increase Laboratory Supply Budget - The legislature added \$162,000 of state special revenue authority for the biennium to meet the projected increase in the laboratory supply budget for increased test volumes. Test volumes sent to the laboratory from Montana healthcare providers continue to increase each year, which increases the laboratory supply budget.

New Proposals										
	-----Fiscal 2004-----					-----Fiscal 2005-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 49 - Pay Off Wells Fargo Loan for Equipment										
07	0.00	0	51,988	0	51,988	0.00	0	0	0	0
DP 67 - Laboratory Equipment Replacement										
07	0.00	0	195,000	0	195,000	0.00	0	195,000	0	195,000
Total	0.00	\$0	\$246,988	\$0	\$246,988	0.00	\$0	\$195,000	\$0	\$195,000

New Proposals

DP 49 - Pay Off Wells Fargo Loan for Equipment - The legislature appropriated \$51,988 in state special revenue authority for early pay off of a bank loan for the purchase of organic chemistry equipment for the Environmental Laboratory. There are about three years remaining in the five-year loan with a projected balance of \$51,988.

DP 67 - Laboratory Equipment Replacement - The legislature accepted the executive request for \$390,000 state special revenue authority for the biennium to replace laboratory equipment. Certain equipment items, such as autoclaves and furnaces, will soon become unusable as replacement parts will no longer be available from the manufacturer due to equipment age.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	109.70	0.00	(2.00)	107.70	0.00	(2.00)	107.70	107.70
Personal Services	4,258,309	780,964	(60,481)	4,978,792	776,077	39,337	5,073,723	10,052,515
Operating Expenses	2,278,519	82,593	0	2,361,112	86,948	0	2,365,467	4,726,579
Equipment	17,498	0	0	17,498	0	0	17,498	34,996
Grants	354,100	0	0	354,100	0	0	354,100	708,200
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$6,908,426	\$863,557	(\$60,481)	\$7,711,502	\$863,025	\$39,337	\$7,810,788	\$15,522,290
General Fund	1,955,210	323,615	(74,335)	2,204,490	321,879	(44,628)	2,232,461	4,436,951
State/Other Special	224,944	46,074	303	271,321	46,038	1,299	272,281	543,602
Federal Special	4,728,272	493,868	13,551	5,235,691	495,108	82,666	5,306,046	10,541,737
Total Funds	\$6,908,426	\$863,557	(\$60,481)	\$7,711,502	\$863,025	\$39,337	\$7,810,788	\$15,522,290

Program Description

The Quality Assurance Division provides services that:

- Protect the safety of clients who use Montana health care, day care, and residential providers through licensure and/or certification of 2,567 facilities, 318 of which are certified for Medicare and Medicaid
- Detect and investigate abusive or fraudulent practices in the Medicaid program and initiate recovery efforts
- Reduce Medicaid costs by identifying other insurers or parties responsible for paying a client's medical expenses
- Provide independent audits for DPHHS programs and independent fair hearings for clients and providers participating in DPHHS programs
- Furnish facility management services for the majority of state institutions
- Monitor and evaluate health maintenance organizations for quality assurance and network adequacy
- Maintain the Certified Nurse Aide Registry and approve and monitor 74 Nurse Aide Training programs
- Operate the Certificate of Need (CON) Program

Program Narrative

Quality Assurance Division Major Budget Highlights
<ul style="list-style-type: none"> ○ Biennial general fund reduction of \$103,000 due to legislative initiative to fund 2005 biennium appropriations at base budget funding ratios ○ Transfer of \$103,000 general fund to provide matching funds for child support enforcement activities ○ Contracted services increase to recover Medicaid costs from third parties ○ Elimination of funding for 2.00 FTE

The Quality Assurance Division appropriation for the 2005 biennium is \$1.6 million greater than base budget expenditures. The most significant change is in federal funds, which increase about \$1.1 million, while general fund increases about \$0.5 million compared to base budget expenditures.

Present law adjustments, primarily statewide adjustments for annualization of the fiscal 2003 pay plan increase, add about \$860,000 each year. Pay plan allocations for the 2005 biennium add \$74,220. Legislative acceptance of the executive recommendation to reduce personal services funding by 2.00 FTE each year offset about \$91,000 of the increase.

Program Reorganization

The department internal audit function was moved to the Quality Assurance Division from the Director's Office in fiscal 2003. The reorganization involved the transfer of 1.00 FTE.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as adopted by the legislature.

Program Funding Table						
Quality Assurance Division						
<u>Program Funding</u>	<u>Base</u>	<u>% of Base</u>	<u>Budget</u>	<u>% of Budget</u>	<u>Budget</u>	<u>% of Budget</u>
	<u>Fiscal 2002</u>	<u>Fiscal 2002</u>	<u>Fiscal 2004</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Fiscal 2005</u>
01100 General Fund	\$ 1,955,210	28.3%	\$ 2,204,490	28.6%	\$ 2,232,461	28.6%
02034 Earmarked Alcohol Funds	58,374	0.8%	66,864	0.9%	67,824	0.9%
02380 02 Indirect Activity Prog 08	4,504	0.1%	5,500	0.1%	5,500	0.1%
02474 Lien & Estate Collections	162,066	2.3%	198,957	2.6%	198,957	2.5%
03096 Discretionary Child Care	430,841	6.2%	434,058	5.6%	444,238	5.7%
03251 Child Care Admin	135,305	2.0%	136,316	1.8%	139,512	1.8%
03303 Title 18 Clia	60,311	0.9%	69,501	0.9%	71,503	0.9%
03335 Fda Mammography Inspections	34,189	0.5%	30,208	0.4%	30,208	0.4%
03530 93.658 - Iv-E Fost Care & Adp	70,303	1.0%	74,727	1.0%	76,108	1.0%
03580 93.778 - Med Adm 50%	949,137	13.7%	1,034,072	13.4%	1,046,801	13.4%
03597 03 Indirect Activity Prog 08	1,064,174	15.4%	1,138,202	14.8%	1,153,693	14.8%
03934 Title 19	310,347	4.5%	596,228	7.7%	606,043	7.8%
03935 Title 18	977,682	14.2%	1,056,444	13.7%	1,071,469	13.7%
03948 T-19 Obra Nurse Aid	18,879	0.3%	26,523	0.3%	27,033	0.3%
03960 Rural Hospital Flexibility Prog	677,104	9.8%	639,412	8.3%	639,438	8.2%
Grand Total	<u>\$ 6,908,426</u>	<u>100.0%</u>	<u>\$ 7,711,502</u>	<u>100.0%</u>	<u>\$ 7,810,788</u>	<u>100.0%</u>

The Quality Assurance Division is funded primarily from federal funds (68 percent of the 2005 biennium appropriation). Medicaid funding (Med Admin and Title 19) is the single largest source of federal funds and accounts for 36 percent of the annual program appropriation, while Medicare funding (Title 18) supports 14 percent. General fund accounts for 28 percent of program funding in the base budget and rises to 29 percent each year of the 2005 biennium request. State special revenue is 4 percent.

General fund supports: 1) the full cost of radiological equipment testing; 2) the state match for Medicaid and Title IV-E (foster care) eligible costs; 3) a portion of child care licensure; and 4) a portion of division administration.

State special revenue includes: 1) alcohol taxes allocated to DPHHS; 2) lien and estate recoveries for Medicaid services; and 3) indirect funds. Alcohol taxes fund staff and contracted services for chemical dependency program licensure. Lien and estate funds pay for contracted services to pursue recoveries for the cost of Medicaid funded nursing home services. The contractor is paid about 20 percent of collections.

There are nine separate federal funding sources in the Quality Assurance Division. Some federal sources support more than one function. For instance, Medicaid funds support third party (insurance and private pay) recovery, the surveillance, utilization and review unit, the nurse aide registry for nursing homes, and the Department of Justice fraud investigation contract. Medicaid and Medicare funds support certification of services such as nursing home and personal care services. Medicare CLIA pays for review of some laboratories in order to qualify for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain their critical access hospital status. Childcare funding supports licensure of childcare facilities. Title IV-E pays for the federal share of licensing

community residential facilities. Mammography funds pay for inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs, such as those for fair hearings and administrative costs.

Comparison of 2003 Biennium to 2005 Biennium

The 2005 biennium appropriation is about 5 percent greater than the 2003-biennium amount, largely due to pay plans in both biennia. Personal services costs are the only operating category of expenditure that increases between the two biennia, while all other categories decrease. The 2005 biennium appropriations for federal funds and general fund increase compared to the 2003 biennium, while state special revenue appropriations decline.

2003 Biennium Compared to 2005 Biennium Division of Quality Assurance					
Budget Item/Fund	2003 Biennium	2005 Biennium	Percent of Total	Change	Percent of Change
FTE	109.70	107.70		(2.00)	
Personal Services	\$ 9,168,766	\$ 10,052,515	65%	\$ 883,749	118.1%
Operating Costs	4,825,536	4,726,579	30%	(98,957)	-13.2%
Equipment	55,271	34,996	0%	(20,275)	-2.7%
Grants	<u>724,100</u>	<u>708,200</u>	5%	<u>(15,900)</u>	-2.1%
Total Costs	\$ 14,773,673	\$ 15,522,290	100%	\$ 748,617	100.0%
General Fund	\$ 4,084,388	\$ 4,436,951	29%	\$ 352,563	47.1%
State Special	601,350	543,602	4%	(57,748)	-7.7%
Federal Funds	<u>10,087,935</u>	<u>10,541,737</u>	68%	<u>453,802</u>	60.6%
Total Funds	\$ <u>14,773,673</u>	\$ <u>15,522,290</u>	100%	\$ 748,617	100.0%
Percent Increase				5.1%	

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				990,933					985,845
Vacancy Savings				(209,969)					(209,768)
Inflation/Deflation				8,678					12,628
Fixed Costs				133					538
Total Statewide Present Law Adjustments				\$789,775					\$789,243
DP 76 - TPL Lien & Estate Recovery									
0.00	0	36,891	36,891	73,782	0.00	0	36,891	36,891	73,782
Total Other Present Law Adjustments									
0.00	\$0	\$36,891	\$36,891	\$73,782	0.00	\$0	\$36,891	\$36,891	\$73,782
Grand Total All Present Law Adjustments				\$863,557					\$863,025

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 76 - TPL Lien & Estate Recovery - The legislature approved the addition of \$73,782 state special revenue and \$73,782 federal funds for the biennium for an increase in the contract to recover funds from the estates and property of Medicaid clients who have received nursing home services and to enhance recoveries from third party insurance. The contract, which was expanded in the third quarter of fiscal 2002 to include enhanced recoveries from third party insurance, will be annualized and increased for re-bid in early 2003.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 286 - FTE Reduction										
08	(2.00)	(31,828)	0	(59,267)	(91,095)	(2.00)	(31,828)	0	(59,649)	(91,477)
DP 753 - Decrease QA General Fund - Transfer to CSED										
08	0.00	(51,468)	0	51,468	0	0.00	(51,389)	0	51,389	0
DP 6800 - HP 13 - Pay Plan										
08	0.00	8,961	303	21,350	30,614	0.00	38,589	1,299	90,926	130,814
Total	(2.00)	(\$74,335)	\$303	\$13,551	(\$60,481)	(2.00)	(\$44,628)	\$1,299	\$82,666	\$39,337

New Proposals

DP 286 - FTE Reduction - The legislature approved a decrease in funding for 2.00 FTE reducing \$63,656 general fund and \$118,916 in federal funds for the biennium. The FTE includes a supervisor for the cost recovery and cost avoidance unit and an auditor. The cost recovery and cost avoidance function was reorganized to distribute workloads differently. Other audit positions will absorb additional work.

DP 753 - Decrease QA General Fund - Transfer to CSED - The legislature approved a reduction in general fund support of \$102,857 over the biennium and increased federal funds by a like amount. The legislature adopted the LFD issue related to funding the 2005 biennium budget in the same funding ratio as base budget expenditures, which included a higher percentage of federal funds. The legislature transferred the general fund to the Child Support Enforcement Division to offset some of the state matching shortfall in that program.

DP 6800 - HP 13 - Pay Plan - The legislature approved a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded. The Quality Assurance Division allocation to fund the pay plan is \$47,550 general fund (\$160,428 total funds) over the biennium.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	75.50	0.00	0.00	75.50	0.00	0.00	75.50	75.50
Personal Services	3,507,031	97,101	20,706	3,624,838	95,121	88,617	3,690,769	7,315,607
Operating Expenses	21,097,511	209,680	(500,000)	20,807,191	321,185	(500,000)	20,918,696	41,725,887
Equipment	60,151	0	0	60,151	0	0	60,151	120,302
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	229,101	0	0	229,101	0	0	229,101	458,202
Total Costs	\$24,893,794	\$306,781	(\$479,294)	\$24,721,281	\$416,306	(\$411,383)	\$24,898,717	\$49,619,998
General Fund	8,939,659	67,248	(491,409)	8,515,498	112,406	(463,061)	8,589,004	17,104,502
State/Other Special	864,332	63,282	2,746	930,360	72,785	11,697	948,814	1,879,174
Federal Special	15,089,803	176,251	9,369	15,275,423	231,115	39,981	15,360,899	30,636,322
Total Funds	\$24,893,794	\$306,781	(\$479,294)	\$24,721,281	\$416,306	(\$411,383)	\$24,898,717	\$49,619,998

Program Description

The Operations and Technology Division (OTD) provides support services for the Department of Public Health and Human Services (DPHHS). Services provided by the division include: 1) budget preparation and management services; 2) fleet and lease management and mail room services; 3) operation and maintenance of computerized systems and telecommunications; 4) development of internal computer systems; 5) oversight and management of several contracts for large automated systems; and 6) vital statistics. According to the DPHHS May 2002 Information Technology Plan, the department information technology budget is 3 percent of the agency annual budget.

OTD manages contracts for several large computer systems whose primary user is another division within DPHHS including:

- Montana Medicaid Information System (MMIS) - primary user Health Policy and Services Division
- The Economic Assistance Management System (TEAMS) - primary user Human and Community Services Division
- System for the Enforcement and Recovery of Child Support (SEARCHS) - primary user Child Support Enforcement Division
- Child and Adult Protective Services System (CAPS) - primary user Child and Family Services Division

Program Narrative

Operations & Technology Division Major Budget Highlights	
○	General fund support, including pay plan, decreases 6.5 percent compared to the 2003 biennium and total funding increased 0.7 percent
○	Includes an unspecified \$1 million biennial general fund reduction
○	Division was reorganized into two divisions during the 2003 biennium
○	The legislature approved the continuation of spending reductions for some facilities maintenance and mainframe usage costs that were implemented under section 17-7-140, MCA.

The legislature reduced general fund in this division by \$1 million for the biennium (\$500,000 per year) and provided \$0.9 million general fund to the Human and Community Services Division for childcare services. The legislature did not specify whether the department could allocate this reduction to all programs or whether the reduction was to be made in the Operations and Technology Division budget.

Summary by Major Function

The figure on the next page summarizes the funding of the OTD by major function. Centralized service functions, such as budget management, communications oversight, and computer technical support comprise 22 percent of division funding. Funding for centralized service functions includes a \$1 million unspecified reduction in general fund support that was approved by the legislature. Computer systems that are developed and maintained by contractors are estimated to cost the department \$37.7 million in the 2005 biennium or 76 percent of the division budget.

Systems Development

Montana Access, Electronic Benefit Transfer (EBT) System

The department developed a system called Montana Access for the electronic transfer of benefits. Federal food stamp regulations mandated that all states have in place an electronic benefit transfer system by October 2002. Implementation of Montana Access was phased in during fiscal 2002. The system currently distributes food stamp benefits and Temporary Assistance For Needy Families (TANF) cash assistance. Additionally, the department recently announced that child support enforcement payments would be available via this system in early 2003.

The department did not request or receive additional funding for this project from the legislature, rather it was funded within the base appropriation of the division. The fiscal 2002 base budget includes \$154,044 total funds and \$44,671 general fund for development costs. The division intends to use these funds to support the ongoing operation of the system during the 2005 biennium. Operational costs for the system are included in the Human and Community Services Division budget.

Childcare Under the Big Sky

During the 2003 biennium the department developed and implemented the Childcare Under the Big Sky (CCUBS) system. This system was developed to replace and add functionality to the Montana Automated Childcare System (MACCS) and the Child and Adult Protective Services (CAPS) system. Prior to the development and implementation of CCUBS, MACCS performed financial and management functions for the childcare subsidy program and CAPS acted as a childcare provider licensing system. The department obtained the core system for CCUBS from a contractor at no cost, and the Montana specific portion of the system cost \$1,775,000. Federal childcare discretionary funds were used to fund the CCUBS system.

Ongoing and Future System Development

The department's information technology plan indicates that the MMIS system should be replaced with a target date of July 1, 2006. The MMIS system provides automated claims processing and data collection for medical services including Medicaid services, Mental Health Services Plan, Children's Health Insurance Program, and certain Indian Health Services.

One area of concern for MMIS is compliance with the Health Insurance Portability and Accountability Act (HIPAA). The administrative simplification portion of this act requires that national standards for electronic health care transactions and national identifiers for providers, health plans, and employers be established. Covered entities must comply with a number of these requirements by October 2002 or 2003, depending upon whether or not the entity sought and was granted a one-year extension. Because it is not feasible to replace MMIS at this time, the department plans to use a clearinghouse and translator to achieve compliance in the required timeframe. Entities not in compliance risk financial penalty. The department's base budget includes almost \$2.4 million (\$240,000 general fund) that was accrued in fiscal 2002 for HIPAA development.

Operations and Technology Division Summary of Funding by Function										
Function	Fiscal 2002 Actual		Fiscal 2004 Appropriated		Fiscal 2005 Appropriated		2005 Biennium		Percent	Percent of
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	Increase	Division
Centralized Services										
Division Administration*	\$ 176,150	\$ 431,625	\$ (325,961)	\$ (73,885)	\$ (294,164)	\$ 2,479	\$ (620,125)	\$ (71,406)	-108.3%	-0.1%
Budget and Analysis	228,602	445,028	254,066	494,601	253,922	494,321	507,988	988,922	11.1%	2.0%
Network and Communications Svcs.	486,790	1,044,631	484,803	1,040,366	485,231	1,041,285	970,034	2,081,651	-0.4%	4.2%
Information Systems Bureau	745,194	1,519,764	779,544	1,589,818	780,452	1,591,670	1,559,996	3,181,488	4.7%	6.4%
Internal Support	733,697	1,807,978	907,925	2,237,312	945,973	2,331,069	1,853,898	4,568,381	26.3%	9.2%
Total Centralized Services	2,370,433	5,249,026	2,100,377	5,288,212	2,171,414	5,460,824	4,271,791	10,749,036	2.4%	21.7%
Contracted Computer Systems										
TEAMS	2,953,510	6,825,119	2,920,815	6,788,579	2,922,666	6,792,166	5,843,481	13,580,745	-0.5%	27.4%
SEARCHS	649,563	2,759,345	676,049	2,871,856	676,049	2,871,856	1,352,098	5,743,712	4.1%	11.6%
CAPS	1,329,568	2,653,056	1,167,641	2,337,325	1,167,569	2,337,181	2,335,210	4,674,506	-11.9%	9.4%
Medstat	111,249	445,000	111,249	445,000	111,249	445,000	222,498	890,000	0.0%	1.8%
MMIS	<u>1,247,768</u>	<u>6,407,126</u>	<u>1,247,768</u>	<u>6,407,126</u>	<u>1,247,768</u>	<u>6,407,126</u>	<u>2,495,536</u>	<u>12,814,252</u>	<u>0.0%</u>	<u>25.8%</u>
Total Contracted Computer Systems	6,291,658	19,089,646	6,123,522	18,849,886	6,125,301	18,853,329	12,248,823	37,703,215	-1.2%	76.0%
Other										
Vital Statistics	277,568	555,122	291,599	583,183	292,289	584,564	583,888	1,167,747	5.2%	2.4%
Total Operations & Technology Div.	<u>\$ 8,939,659</u>	<u>\$ 24,893,794</u>	<u>\$ 8,515,498</u>	<u>\$ 24,721,281</u>	<u>\$ 8,589,004</u>	<u>\$ 24,898,717</u>	<u>\$ 17,104,502</u>	<u>\$ 49,619,998</u>	<u>-0.3%</u>	<u>100.0%</u>
*Includes \$500,000 per year unspecified general fund reduction.										

The department information technology plan recommends replacement of the CAPS system in fiscal 2006. It indicates that planning for the new system would need to begin in July 2002, development by July 2003, testing by July 2004, and implementation in July 2005 to achieve a replacement effective date of fiscal 2006. Thus, system planning and development would occur during the 2003 biennium and testing and implementation during the 2005 biennium. The department did not request additional funding for this purpose.

Program Reorganization

The department reorganized this division by removing: 1) accounting and fiscal management; 2) fiscal policy development and oversight; 3) institutional reimbursement; and 4) purchasing services to a newly created Fiscal Services Division. The department revised the organizational structure after a number of significant audit findings and recommendations were reported by the Legislative Audit Division (LAD) in the financial compliance audit of the department.

Funding

The following table shows program funding, by source, for the base year and as appropriated for the 2005 biennium.

Program Funding Table						
Operations & Technology Div						
<u>Program Funding</u>	<u>Base</u>	<u>% of Base</u>	<u>Budget</u>	<u>% of Budget</u>	<u>Budget</u>	<u>% of Budget</u>
	<u>Fiscal 2002</u>	<u>Fiscal 2002</u>	<u>Fiscal 2004</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Fiscal 2005</u>
01100 General Fund	\$ 8,939,659	35.9%	\$ 8,515,498	34.4%	\$ 8,589,004	34.5%
02381 02 Indirect Activity Prog 09	586,778	2.4%	636,754	2.6%	647,944	2.6%
02419 Vital Statistics	277,554	1.1%	293,606	1.2%	300,870	1.2%
03598 03 Indirect Activity Prog 09	15,089,803	60.6%	15,275,423	61.8%	15,360,899	61.7%
Grand Total	<u>\$ 24,893,794</u>	<u>100.0%</u>	<u>\$ 24,721,281</u>	<u>100.0%</u>	<u>\$ 24,898,717</u>	<u>100.0%</u>

As illustrated in the table above, 34 percent of division funding is provided by the general fund. State special revenues provide 4 percent of division funding and federal funds provide 62 percent. The costs of the division are allocated to the programs receiving services through a complex federally approved costs allocation process.

The major automated systems managed by this division are funded with the following:

- MMIS - 25 percent general fund and 75 percent federal funds
- TEAMS - 50 percent general fund and 50 percent federal funds
- CAPS - 50 percent general fund and 50 percent federal funds
- SEARCHS - 34 percent general fund and state special revenue from child support collections and 66 percent federal funds

While the SEARCHS system is eligible for funding from the state special revenue account for child support collections, this state special revenue fund is unable to support the entire state share of SEARCHS costs. Thus, some SEARCHS costs are funded by the general fund. For a complete discussion of the child support state special revenue account and related funding issues, please refer to the narrative for the Child Support Enforcement Division.

Biennial Comparison

As illustrated in the adjacent figure, 2005 biennium funding for the division (including pay plan) increases 0.7 percent when compared to the 2003 biennium. General fund support for the division decreases 6.5 percent with the largest decrease due to an unspecified general fund reduction of \$1 million for the biennium that was approved by the legislature. The majority of the division's funding, 99.1 percent, supports operating costs, including contracted services for computer systems.

2003 Biennium Compared to 2005 Biennium Operations & Technology Division					
Budget Item/Fund	2003 Biennium	2005 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	75.50	75.50		-	
Personal Services	\$ 6,643,650	\$ 7,315,607	14.74%	\$ 671,957	10.1%
Operating	42,066,728	41,725,887	84.09%	(340,841)	-0.8%
Equipment	101,503	120,302	0.24%	18,799	18.5%
Debt Service	472,465	458,202	0.92%	(14,263)	-3.0%
Total Costs	\$ 49,284,346	\$ 49,619,998	100.00%	\$ 335,652	0.7%
General Fund	\$ 18,293,553	\$ 17,104,502	34.5%	\$ (1,189,051)	-6.5%
State Special	2,209,530	1,879,174	3.8%	(330,356)	-15.0%
Federal Funds	28,781,263	30,636,322	61.7%	1,855,059	6.4%
Total Funds	\$ 49,284,346	\$ 49,619,998	100.0%	\$ 335,652	0.7%
Percent Increase					0.7%

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				247,275					245,208
Vacancy Savings				(150,174)					(150,087)
Inflation/Deflation				392,065					400,380
Fixed Costs				317,424					416,300
Total Statewide Present Law Adjustments				\$806,590					\$911,801
DP 77 - TEAMS FM Contract	0.00	(146,476)	0	(146,476)	0.00	(146,476)	0	(146,476)	(292,952)
DP 78 - CAPS FM Contract	0.00	(102,041)	0	(94,192)	0.00	(102,041)	0	(94,192)	(196,233)
DP 81 - TEAMS Mainframe Costs Reduction	0.00	(5,312)	0	(5,312)	0.00	(3,155)	0	(3,155)	(6,310)
Total Other Present Law Adjustments	0.00	(\$253,829)	\$0	(\$245,980)	0.00	(\$251,672)	\$0	(\$243,823)	(\$495,495)
Grand Total All Present Law Adjustments				\$306,781					\$416,306

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 77 - TEAMS FM Contract - The legislature reduced funding for the TEAMS facilities maintenance contract by \$292,952 general fund and \$585,904 total funds for the biennium, to continue spending reductions ordered by the Governor in accordance with section 17-7-140, MCA. This reduction equals 5 percent of the fiscal 2002 base funding for TEAMS administration. Reduction in facility maintenance contracts means that fewer programmer hours are available to complete system programming changes to correct errors and implement mandated or desirable changes.

DP 78 - CAPS FM Contract - The legislature reduced funding for the CAPS facilities maintenance contract by \$204,082 general fund and \$392,466 total funds for the biennium, to continue spending reductions ordered by the Governor in accordance with section 17-7-140, MCA. This reduction equals 7.4 percent of the fiscal 2002 base funding for CAPS. Reduction in facility maintenance contracts means that fewer programmer hours are available to complete system programming changes that are necessary to correct errors and implement mandated or desirable changes.

DP 81 - TEAMS Mainframe Costs Reduction - The legislature reduced TEAMS mainframe costs by \$8,467 general fund

and \$16,934 total funds for the biennium, to continue spending reductions ordered by the Governor in accordance with section 17-7-140, MCA. This reduction equals 1 percent of the fiscal 2002 base funding for data network and mainframe processing costs for TEAMS. The department has taken the following actions to reduce TEAMS mainframe costs: 1) only reports that are essential are being produced; 2) reports are being generated less frequently; 3) actions to increase system efficiency and therefore reduce mainframe usage have been implemented; and 4) jobs are scheduled to use non-prime rate times, when possible. If these actions do not generate sufficient savings the availability of TEAMS to users may be reduced.

New Proposals										
Program	FTE	-----Fiscal 2004-----				-----Fiscal 2005-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6800 - HB 13 - Pay Plan										
09	0.00	8,591	2,746	9,369	20,706	0.00	36,939	11,697	39,981	88,617
DP 9001 - Legislative General Fund Reduction										
09	0.00	(500,000)	0	0	(500,000)	0.00	(500,000)	0	0	(500,000)
Total	0.00	(\$491,409)	\$2,746	\$9,369	(\$479,294)*	0.00	(\$463,061)	\$11,697	\$39,981	(\$411,383)

New Proposals

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded

DP 9001 - Legislative General Fund Reduction - The legislature approved a general fund reduction of \$1 million for the biennium in the Operations and Technology Division. \$900,000 of this reduction was provided to the Human and Community Services Division to fund childcare. The legislature did not specify whether or not this general fund reduction could be allocated among programs in the department or that the reduction was to be made in the Operations and Technology Division.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	612.71	12.00	(51.29)	573.42	12.00	(83.29)	541.42	541.42
Personal Services	20,513,813	3,157,606	541,636	24,213,055	3,229,616	(1,193,963)	22,549,466	46,762,521
Operating Expenses	6,334,058	736,538	67,114	7,137,710	978,215	(51,136)	7,261,137	14,398,847
Equipment	53,355	0	0	53,355	0	0	53,355	106,710
Capital Outlay	0	0	0	0	0	0	0	0
Benefits & Claims	85,508,893	2,999,543	8,821,835	97,330,271	3,195,735	8,304,164	97,008,792	194,339,063
Transfers	0	0	0	0	0	0	0	0
Debt Service	18,066	0	(4,517)	13,549	0	(4,517)	13,549	27,098
Total Costs	\$112,428,185	\$6,893,687	\$9,426,068	\$128,747,940	\$7,403,566	\$7,054,548	\$126,886,299	\$255,634,239
General Fund	43,633,447	3,197,093	(531,393)	46,299,147	3,369,112	(3,583,051)	43,419,508	89,718,655
State/Other Special	980,943	236,051	145,836	1,362,830	266,444	151,809	1,399,196	2,762,026
Federal Special	67,813,795	3,460,543	9,811,625	81,085,963	3,768,010	10,485,790	82,067,595	163,153,558
Total Funds	\$112,428,185	\$6,893,687	\$9,426,068	\$128,747,940	\$7,403,566	\$7,054,548	\$126,886,299	\$255,634,239

Program Description

Disability Services Division assists Montanans with disabilities in living, working, and participating in their communities. The division provides or contracts for institutional care, residential services, home-based services to families, case management, and a variety of employment outcome-related services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment. Disability Services Division is responsible for medical adjudication of all claims for Social Security Disability and Supplemental Security Income. The division is responsible for two state institutions Eastmont Human Services Center (EHSC or Eastmont) in Glendive and Montana Developmental Center (MDC) in Boulder.

Vocational rehabilitation serves individuals with orthopedic, mental, visual, hearing, brain injury, and other disabilities. Developmentally disabled includes individuals with mental retardation, epilepsy, autism, or other neurological conditions that require treatment similar to those required by someone with mental retardation. The developmental disability must have originated before age 18 and have resulted in a substantial handicap for indefinite duration.

Program Narrative

Disability Services Division Major Budget Highlights	
○	General fund supporting this division increases from \$86.3 million to \$89.7 million (3.9 percent) and total funds increase from \$226.3 million to \$255.6 million (13.0 percent) above the 2003 biennium level
○	Compared to the Executive Budget the budget approved by the legislature is \$4.3 million less in general fund and \$12.5 million greater in federal funds
○	The legislature, in HB 727, directed that Eastern Montana Human Services Center in Glendive no longer be used as an institution serving developmentally disabled adults resulting in a general fund savings of about \$4 million compared to the Executive Budget
○	General fund supporting this division is decreased by \$7.8 million due to refinancing efforts that do not result in a reduction in services
○	The legislature approved a request for additional general fund to annualize the cost of direct care worker wage increases that were

initiated in the 2003 biennium

- State special revenue is appropriated in SB 485, revising the use of tobacco settlement proceeds, to maintain extended employment and independent living services at the fiscal 2002 level
- Provisions of HB 734 resulted in the movement of the Developmental Disabilities Planning and Advisory Council (DDPAC) from this department to the Department of Commerce
- Reorganization resulted in the movement of the Montana Telecommunications Program (MTAP) from the Director's Office to this division
- The legislature considered but did not take action to provide statutory guidance to the department regarding use of financial or clinical criteria to determine eligibility for developmental disability services

The legislature approved a number of general fund adjustments that net to an increase in general fund support in fiscal 2004 and a slight decrease in general fund support for fiscal 2005 when compared to the fiscal 2002 base. These offsetting general fund increases and decreases include:

- Biennial general fund increases totaling about \$6.0 million including:
 - ?? Naturalization of direct care worker and provider rate increases totaling about \$2.0 million general fund and \$2.2 million federal funds
 - ?? Increased general fund of about \$3.8 million to continue services funded by federal funds in the fiscal 2002 base that will not be available in the 2005 biennium
- Biennial general fund decreases totaling \$12.5 million including:
 - ?? Refinancing of some services with federal Medicaid funds, resulting in a \$7.8 million decrease in general fund and an increase in federal Medicaid funds of \$19.2 million (please refer to agency narrative for a discussion of refinancing)
 - ?? Reductions and eliminations of general fund support for some programs totaling \$1.2 million that are offset by state special revenue funding appropriated in SB 485, revising the use of tobacco settlement proceeds
 - ?? Reduction of 9.02 FTE for a savings of \$0.4 million general fund and \$0.1 million federal funds

The figure on the following page illustrates the Disability Services Division funding by component including: Vocational Rehabilitation Services, Institutional Developmental Disability Services, Community Developmental Disability Programs, and other programs. The division's 2005 biennium budget is allocated 13 percent for Vocational Rehabilitation services (including the Montana Telecommunications Program), 23 percent for institutional services for developmentally disabled, 60 percent for community services for developmentally disabled and 4 percent for other services (primarily disability determination services). Funding for the two state institutions for developmentally disabled individuals increases the first year of the biennium, in part, due to one-time costs related to the discontinued usage of Eastmont that will be effective on or before December 31, 2003. Because services for the developmentally disabled comprise 84 percent of the division's budget, the following narrative focuses on issues in this program area.

Disability Services Division														
Summary of Major Program Functions with Funding														
Function	Fiscal 2002 - Base Budget				Fiscal 2004 - Appropriation				Fiscal 2005 - Appropriation				Percent of Division Total	
	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds		
Vocational Rehabilitation														
Voc. Rehab. Administration	\$ 711,886	\$ -	\$ 2,631,335	\$ 3,343,221	\$ 764,813	\$ -	\$ 2,825,802	\$ 3,590,615	\$ 766,411	\$ -	\$ 2,831,704	\$ 3,598,115	2.8%	
Voc. Rehab. Benefits	1,534,830	-	5,671,023	7,205,853	1,621,876	-	5,880,825	7,502,701	1,621,876	-	5,880,825	7,502,701	5.9%	
Visual Services Medical Benefits	84,834	-	-	84,834	84,834	-	-	84,834	84,834	-	-	84,834	0.1%	
Independent Living - Admin.	401	-	111,663	112,064	401	-	106,137	106,538	401	-	106,017	106,418	0.1%	
Independent Living - Benefits	1,585	-	190,529	192,114	1,585	-	190,529	192,114	1,585	-	190,529	192,114	0.2%	
Sec. 110 Blind Low Vision Administration	135,508	-	500,922	636,430	156,915	-	579,776	736,691	156,756	-	579,188	735,944	0.6%	
Sec. 110 Blind Low Vision Benefits	170,797	-	631,098	801,895	170,797	-	631,098	801,895	170,797	-	631,098	801,895	0.6%	
In Service Training - Administration	4,326	-	38,908	43,234	4,324	-	38,916	43,240	4,326	-	38,936	43,262	0.0%	
Supported Employment	-	-	283,085	283,085	-	-	283,085	283,085	-	-	283,085	283,085	0.2%	
Independent Living Part B Benefits	256,723	-	242,235	498,958	27,957	-	242,235	270,192	27,957	-	242,235	270,192	0.2%	
Independent Living Part B Administration	5,016	-	46,682	51,698	5,319	-	47,874	53,193	5,309	-	47,784	53,093	0.0%	
Migrant Worker Benefits	-	-	141,388	141,388	-	-	141,388	141,388	-	-	141,388	141,388	0.1%	
Extended Employment Benefits	833,775	-	-	833,775	563,136	-	-	563,136	563,136	-	-	563,136	0.4%	
MonTech Benefits	-	-	345,559	345,559	-	-	345,559	345,559	-	-	345,559	345,559	0.3%	
Montana Telecommunications Access Prog.	-	924,918	-	924,918	-	1,305,569	-	1,305,569	-	1,335,962	-	1,335,962	1.0%	
Social Security Benefits	-	-	231,699	231,699	-	-	231,699	231,699	-	-	231,699	231,699	0.2%	
Social Security Administration	(13)	-	(47)	(60)	-	-	-	-	-	-	-	-	0.0%	
Subtotal Vocational Rehabilitation	3,739,668	924,918	11,066,079	15,730,665	3,401,957	1,305,569	11,544,923	16,252,449	3,403,388	1,335,962	11,550,047	16,289,397	12.7%	
Percent of Total	23.8%	5.9%	70.3%	100.0%	20.9%	8.0%	71.0%	100.0%	20.9%	8.2%	70.9%	100.0%		
Institutions														
Montana Development Center	\$ 10,411,251	\$ 49,575	\$ -	\$ 10,460,826	\$ 12,655,023	\$ 49,575	\$ -	\$ 12,704,598	\$ 13,197,634	\$ 49,575	\$ -	\$ 13,247,209	10.2%	
Eastern Montana Human Service Center	3,615,746	584	-	3,616,330	4,813,615	-	559,173	5,372,788	2,012,703	-	709,814	2,722,517	3.2%	
MDC and Eastmont Medicaid	-	-	10,931,820	10,931,820	-	-	12,362,057	12,362,057	-	-	12,549,577	12,549,577	9.7%	
Subtotal Institutions	14,026,997	50,159	10,931,820	25,008,976	17,468,638	49,575	12,921,230	30,439,443	15,210,337	49,575	13,259,391	28,519,303	23.1%	
Percent of Total	56.1%	0.2%	43.7%	100.0%	57.4%	0.2%	42.4%	100.0%	53.3%	0.2%	46.5%	100.0%		
Developmental Disabilities - Community														
Administration	\$ 800,024	\$ 5,866	\$ 1,335,983	\$ 2,141,873	\$ 989,786	\$ 7,686	\$ 1,545,886	\$ 2,543,358	\$ 1,301,170	\$ 13,659	\$ 1,716,269	\$ 3,031,098	2.2%	
Targeted Case Management Administration	591,614	-	801,642	1,393,256	624,096	-	842,749	1,466,845	622,464	-	842,156	1,464,620	1.1%	
Medicaid Benefits	11,393,658	-	30,611,738	42,005,396	11,485,578	-	34,410,151	45,895,729	11,551,009	-	33,892,381	45,443,390	35.7%	
Part C and General Fund Benefits	4,185,169	-	1,678,520	5,863,689	4,324,974	-	1,678,520	6,003,494	3,324,974	-	2,678,520	6,003,494	4.7%	
General Fund, Title XX, Other Benefits	8,524,336	-	6,037,506	14,561,842	7,633,199	-	12,802,595	20,435,794	7,633,199	-	12,608,536	20,241,735	15.9%	
Targeted Case Management Benefits	346,981	-	932,779	1,279,760	345,919	-	933,841	1,279,760	347,967	-	931,793	1,279,760	1.0%	
Subtotal Developmental Disabilities-Comm.	25,841,782	5,866	41,398,168	67,245,816	25,403,552	7,686	52,213,742	77,624,980	24,780,783	13,659	52,669,655	77,464,097	60.7%	
Percent of Total	38.4%	0.0%	61.6%	100.0%	32.7%	0.0%	67.3%	100.0%	32.0%	0.0%	68.0%	100.0%		
Other														
DDPAC	\$ 25,000	\$ -	\$ 381,530	\$ 406,530	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ -	\$ -	\$ 25,000	0.0%	
Disability Determination Services	-	-	4,036,198	4,036,198	-	-	4,406,068	4,406,068	-	-	4,588,502	4,588,502	3.5%	
Subtotal Other	\$ 25,000	\$ -	\$ 4,417,728	\$ 4,442,728	\$ 25,000	\$ -	\$ 4,406,068	\$ 4,431,068	\$ 25,000	\$ -	\$ 4,588,502	\$ 4,613,502	3.5%	
Percent of Total	0.6%	0.0%	99.4%	100.0%	0.6%	0.0%	99.4%	100.0%	0.5%	0.0%	99.5%	100.0%		
Total Disability Services Division	\$ 43,633,447	\$ 980,943	\$ 67,813,795	\$ 112,428,185	\$ 46,299,147	\$ 1,362,830	\$ 81,085,963	\$ 128,747,940	\$ 43,419,508	\$ 1,399,196	\$ 82,067,595	\$ 126,886,299	100.0%	
Percent of Total	38.8%	0.9%	60.3%	100.0%	36.0%	1.1%	63.0%	100.0%	34.2%	1.1%	64.7%	100.0%		

A summary of benefit costs and funding is included in the following figure. The majority of the benefits administered by this division are Medicaid benefits for developmentally disabled individuals (59.7 percent), developmental disability benefits related to programs funded by the general fund and Title XX account for 20.9 percent of the benefits administered by the division, and vocational rehabilitation service benefits account for 7.7 percent of the benefits administered by the division.

Disability Services Division Summary of Benefits Costs with Funding														
Description	Fiscal 2002 - Base Budget				Fiscal 2004 - Appropriation				Fiscal 2005 - Appropriation				Percent of	
	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	Total	
Benefits and Claims														
Voc. Rehab. Benefits	1,534,830	-	5,671,023	7,205,853	1,621,876	-	5,880,825	7,502,701	1,621,876	-	5,880,825	7,502,701	7.7%	
Visual Services Medical Benefits	84,834	-	-	84,834	84,834	-	-	84,834	84,834	-	-	84,834	0.1%	
Independent Living - Admin.	-	-	(26,037)	(26,037)	-	-	(26,037)	(26,037)	-	-	(26,037)	(26,037)	0.0%	
Independent Living - Benefits	1,585	-	190,529	192,114	1,585	-	190,529	192,114	1,585	-	190,529	192,114	0.2%	
Sec. 110 Blind Low Vision Benefits	170,797	-	631,098	801,895	170,797	-	631,098	801,895	170,797	-	631,098	801,895	0.8%	
Supported Employment	-	-	283,085	283,085	-	-	283,085	283,085	-	-	283,085	283,085	0.3%	
Independent Living Part B Benefits	256,723	-	242,235	498,958	27,957	-	242,235	270,192	27,957	-	242,235	270,192	0.3%	
Migrant Worker Benefits	-	-	141,388	141,388	-	-	141,388	141,388	-	-	141,388	141,388	0.1%	
Extended Employment Benefits	833,775	-	-	833,775	563,136	-	-	563,136	563,136	-	-	563,136	0.6%	
MonTech Benefits	-	-	345,559	345,559	-	-	345,559	345,559	-	-	345,559	345,559	0.4%	
Social Security Benefits	-	-	231,699	231,699	-	-	231,699	231,699	-	-	231,699	231,699	0.2%	
Eastern Montana Human Service Center	-	-	-	-	851,273	-	-	851,273	980,000	-	-	980,000	1.0%	
MDC and Eastmont Medicaid	-	-	10,931,820	10,931,820	-	-	12,362,057	12,362,057	-	-	12,549,577	12,549,577	12.9%	
Medicaid Benefits	11,393,658	-	30,611,738	42,005,396	11,485,578	-	34,410,151	45,895,729	11,551,009	-	33,892,381	45,443,390	46.8%	
Part C and General Fund Benefits	4,185,169	-	1,678,520	5,863,689	4,324,974	-	1,678,520	6,003,494	3,324,974	-	2,678,520	6,003,494	6.2%	
General Fund, Title XX, Other Benefits	8,524,336	-	6,037,506	14,561,842	7,633,199	-	12,802,595	20,435,794	7,633,199	-	12,608,536	20,241,735	20.9%	
Targeted Case Management Benefits	346,981	-	932,779	1,279,760	345,919	-	933,841	1,279,760	347,967	-	931,793	1,279,760	1.3%	
DDPAC	\$ 25,000	\$ -	\$ 171,309	\$ 196,309	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ -	\$ -	\$ 25,000	0.0%	
Disability Determination Services	-	-	76,954	76,954	-	-	86,598	86,598	-	-	95,270	95,270	0.1%	
Total Benefits and Grants	\$27,357,688	\$ -	\$58,151,205	\$85,508,893	\$27,136,128	\$ -	\$70,194,143	\$97,330,271	\$26,332,334	\$ -	\$70,676,458	\$97,008,792	100.0%	

Eastmont

The legislature also approved an increase of \$1.1 million general fund in fiscal 2004 and a decrease of \$1.2 million general fund in fiscal 2005 to reflect the planned change in mission of the Eastern Montana Human Services Center (Eastmont). This funding change also decreases funding for 40.27 FTE in fiscal 2004 and 72.27 FTE in fiscal 2005. When compared to the Executive Budget, the legislative budget provides \$4 million less general fund for operation of the two facilities for the developmentally disabled. The department estimated that additional savings of \$2 million (\$6 million total savings) general fund would be realized in future biennia due to the closure of the Eastmont facility.

The plan adopted by the legislature would transition at least six residents of the Eastmont facility to a new group home to be built in the Glendive community. The remaining 23 residents would be transferred to the Montana Developmental Center or community settings. Additionally, four residents in community group homes would be moved to supported living situations and four residents at the Montana Developmental Center would be moved to community group homes. These changes would occur between July 1 and December 31, 2003.

The funding provided by the legislature includes \$580,000 general fund in fiscal 2004 as a restricted, one-time-only appropriation for costs such as employee termination payout, an employee incentive bonus, job training, and other one-time costs that are anticipated due to the change in mission of the Eastmont facility. The legislature also adopted contingency language that provides an additional \$1.9 million general fund appropriation each year of the 2005 biennium including reinstatement of funding for FTE for the two state operated institutions for the developmentally disabled in the event HB 727 (changing the mission of Eastmont) is not passed and approved.

Refinancing

In recent years refinancing, or changing the source of funding for services from general fund to non-general fund sources (often federal sources), has received a great deal of emphasis. The Developmental Disabilities Program (DDP) has engaged in refinancing efforts for at least the past two biennia. Within DDP, refinancing has generally taken the form of converting general fund expenditures to expenditures funded with federal Medicaid funds that require about a 30 percent state match.

The legislature approved several refinancing efforts within the DDP resulting in a \$7.8 million biennial decrease in general fund required to maintain services at the current level. The legislature also provided the division an additional \$19.2 million of federal funds that are anticipated as a result of refinancing efforts. The refinancing efforts included in the 2005 biennium budget for the DDP include:

- Congregate Living, increasing federal Medicaid reimbursement by \$12.4 million and decreasing general fund requirements by \$3.6 million
- Community Supports and Supported Living, increasing federal Medicaid reimbursement by \$7.6 million and decreasing general fund requirements by \$2.8 million
- Children's Services, increasing federal Medicaid reimbursement by \$1 million in fiscal 2005 and decreasing general fund requirements by a like amount
- Refinancing services to offset a Medicaid provider rate reduction, increasing federal Medicaid reimbursement by \$1.0 million and decreasing general fund requirements by \$0.4 million

In general, the refinancing efforts above require the department to:

- Obtain federal approval to increase the number of Medicaid waiver slots so that services for all Medicaid eligible clients in congregate living settings may be billed to Medicaid rather than being billed to the general fund
- Obtaining federal approval to increase the number of Medicaid waiver slots and/or change the definitions employed within the waiver so that additional community services and children's services may be billed to Medicaid rather than being billed to the general fund

The financial impacts of refinancing that were included in the legislative budget were based upon estimates and there is a possibility that additional refinancing may be possible within the DDP. To accommodate this possibility the legislature appropriated \$8.1 million of federal funds to the Director's Office. Additionally, the legislature made changes in

appropriations statutes in HB 744, which implement refinancing through DPHHS, that impact the use of general fund made available through refinancing efforts. These statutory changes are discussed in the agency narrative.

Program Reorganization

As a result of HB 734 the Developmental Disabilities Planning and Advisory Council (DDPAC) administrative attachment and funding are moved from the Department of Public Health and Human Services (DPHHS) to the Department of Commerce.

Reorganization within DPHHS resulted in movement of the Montana Telecommunications Access Program (MTAP) from the Director's Office to the Vocational Rehabilitation section of the Disabilities Services Division.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as appropriated by the legislature.

Program Funding Table							
Disability Services Division							
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005	
01100 General Fund	\$ 43,633,447	38.8%	\$ 46,299,147	36.0%	\$ 43,419,508	34.2%	
02035 Mdc Vocational	47,642	0.0%	47,642	0.0%	47,642	0.0%	
02159 Handicapped Telecommunications	924,918	0.8%	1,307,389	1.0%	1,343,755	1.1%	
02475 Ddp Conference	5,866	0.0%	5,866	0.0%	5,866	0.0%	
02923 Donated Funds-Mdc	1,933	0.0%	1,349	0.0%	1,349	0.0%	
02925 Donations-Eastmont	584	0.0%	584	0.0%	584	0.0%	
03024 Soc Sec - Trust Funds	75,547	0.1%	231,699	0.2%	231,699	0.2%	
03553 84.128 - Handicapped Migrat 90	141,388	0.1%	141,388	0.1%	141,388	0.1%	
03554 84.169 - Independent Living 90	288,917	0.3%	290,382	0.2%	291,188	0.2%	
03555 84.177 - Indep Living Old Blin	302,192	0.3%	297,314	0.2%	299,333	0.2%	
03556 84.181 - Part H - Early Interv	1,678,520	1.5%	1,678,520	1.3%	1,678,520	1.3%	
03557 84.187 - Vic Sup Employment	283,085	0.3%	283,085	0.2%	283,085	0.2%	
03558 84.224 - Mon Tech 100%	345,559	0.3%	345,559	0.3%	345,559	0.3%	
03559 84.265 - In Service Training 9	38,908	0.0%	38,916	0.0%	38,936	0.0%	
03577 93.630 - Ddpac Adm	381,530	0.3%	-	-	-	-	
03579 93.667 - Ssbj - Benefits	5,964,076	5.3%	4,564,076	3.5%	4,564,076	3.6%	
03580 93.778 - Med Adm 50%	73,430	0.1%	73,430	0.1%	73,430	0.1%	
03583 93.778 - Med Ben Fmap	42,476,337	37.8%	56,430,311	43.8%	57,054,595	45.0%	
03588 93.802 - Disabil Deter Adm 100	4,036,198	3.6%	4,419,747	3.4%	4,647,078	3.7%	
03599 03 Indirect Activity Prog 10	2,137,625	1.9%	2,352,223	1.8%	2,403,410	1.9%	
03604 84.126 - Rehab-Sec110 A 78.7%	<u>9,590,483</u>	<u>8.5%</u>	<u>9,939,313</u>	<u>7.7%</u>	<u>10,015,298</u>	<u>7.9%</u>	
Grand Total	\$ 112,428,185	100.0%	\$ 128,747,940	100.0%	\$ 126,886,299	100.0%	

During the 2005 biennium, 34 percent of the division's funding is from the general fund. The general fund support as a percentage of total funds decreases due to refinancing efforts that increase federal funds supporting the division. The division is also supported by a small amount of state special revenue with the Montana Telecommunications Access account comprising almost all of the state special revenue supporting the division. However, the largest share of the division's funding, almost 65 percent, comes from federal sources. The largest sources of federal funds and their funding ratio of state to federal funds are the following:

- Medicaid provides 45 percent of the division's funding. Benefits are matched at the Federal Medical Assistance Participation rate (FMAP) of about 30 percent state funds and 70 percent federal funds, and administrative costs are shared equally between state and federal funds
- Vocational Rehabilitation, Section 110 provides 8 percent of the division's funding, and is 19 percent state funds to 81 percent federal funds
- Title XX, Social Services Block Grant, provides about 4 percent of the division's funding and has no state match requirement
- Disability Determination provides almost 4 percent of the division's funding and has no state match requirement

Biennial Comparison

As illustrated in the adjacent figure, 2005 biennium funding for the division increases 13.0 percent when compared to the 2003 biennium. General fund support for the division increases \$3.4 million or 3.9 percent. The majority of the division's funding supports benefits and claims paid on behalf of individuals, and personal services, which represent 76.0 and 18.3 percent of the division's funding, respectively.

Other Issues

Federal Review of Waiver

Montana operates a Human and Community Bases Services Waiver (HCBS) under federal Medicaid regulations. A waiver allows the state to waive certain Medicaid provisions and in this case, to provide with federal Medicaid funds community based services for individuals otherwise eligible for institutional services.

2003 Biennium Compared to 2005 Biennium Disability Services Division					
Budget Item/Fund	2003 Biennium	2005 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	624.71	541.42		(83.29)	
Personal Services	\$ 42,066,454	\$ 46,762,521	18.3%	\$ 4,696,067	11.2%
Operating	11,381,810	14,398,847	5.6%	3,017,037	26.5%
Equipment	88,402	106,710	0.0%	18,308	20.7%
Benefits&Claims	172,658,705	194,339,063	76.0%	21,680,358	12.6%
Debt Service	73,863	27,098	0.0%	(46,765)	-63.3%
Total Costs	<u>\$ 226,269,234</u>	<u>\$ 255,634,239</u>	<u>100.0%</u>	<u>\$ 29,365,005</u>	<u>7.6%</u>
General Fund	\$ 86,332,606	\$ 89,718,655	35.1%	\$ 3,386,049	3.9%
State Special	3,043,496	2,762,026	1.1%	(281,470)	-9.2%
Federal Funds	136,893,132	163,153,558	63.8%	26,260,426	19.2%
Total Funds	<u>\$ 226,269,234</u>	<u>\$ 255,634,239</u>	<u>100.0%</u>	<u>\$ 29,365,005</u>	<u>13.0%</u>

In the fall of 2000 the Centers for Medicare and Medicaid (CMS, formerly known as HCFA) conducted a review of Montana's Medicaid waiver for HCBS for developmentally disabled individuals. The findings of this review included:

- The provider selection process utilized to select waiver service providers violates freedom of choice among providers, and prohibited all qualified providers from participating in the system because only a predetermined number of providers were awarded contracts
- Situations that may compromise the health and safety of clients were observed
- The waiver amendment for services the division refers to as "community supports" had not been approved by CMS, even though the division had begun providing services and billing Medicaid under this waiver amendment
- Direction that the division discontinue expansion of waiver services for adults was given. This restriction has since been lifted.

The department concurred with the majority of the CMS findings and proposed a corrective action plan. The final federal report, federal comments, and acceptance of the corrective action plan were dated April 30, 2001. During the 2001-2003 interim, the DDP has been implementing various segments of the corrective action plan approved by CMS. One of the areas where corrective action is ongoing is related to the selection of providers and provider reimbursement. CMS found that the provider selection process used by DDP violated the freedom of choice provision of Medicaid and prohibited all qualified providers from participating in the system. The department must develop a process that permits all qualified providers to participate in the waiver, and allows recipients "portability" of benefits, or the ability to choose among qualified providers. The DDP is currently working to develop a provider reimbursement methodology that supports "portability" and freedom of choice among providers. It is legislative staff understanding that the DDP hopes to have this new system of reimbursement and portability in place by the end of fiscal 2003. However, the DDP is currently uncertain if the computer programming needed to support this change will be completed in adequate time to implement new processes by June 2003. It is likely that this change will impact the DDP system in the 2005 biennium.

Medicaid Certification Review

The Medicaid certification review, completed in March 2002, identified issues related to client and staff safety. In response to these survey findings, MDC opened a six bed secure care unit, hired an incident investigator, contracted for independent incident investigations, and implemented processes and procedures to provide for reporting and investigation of potential client-client, client-staff, and client self-abuse. Had the division not taken corrective action to remedy the findings of the certification review, MDC's Medicaid certification could have been withdrawn. If MDC fails to meet Medicaid certification requirements the facility is not eligible to receive Medicaid reimbursements.

Subsequent to the Medicaid certification review completed in 2002, federal Medicaid representatives visited the Montana institutions and began review of a number of case files and client needs. Department staff indicated that the criteria being applied to cases to determine compliance with Medicaid requirements for medical necessity and active treatment varied from their understanding of the requirements and appeared to be applied in a manner that would result in a number of residents (potentially one-third) at the Montana Developmental Center being determined ineligible for Medicaid reimbursement. The department indicated it was likely that they would appeal the findings. Loss of client eligibility for Medicaid reimbursements would impact the Medicaid reimbursements for the institution. Medicaid reimbursements for services rendered at MDC are used first to repay bonds and the balance is deposited to the general fund. About \$9 million per year from Medicaid reimbursements for MDC services is deposited to the general fund.

Institutional Population

During the last legislative session, department staff began informing the legislature that the population mix at MDC was changing. Staff indicated that a portion of the population at MDC was exhibiting more physically aggressive and criminal type behaviors. During the 2003 biennium, division staff reported to the Children, Families, Health and Human Services Interim (CFHHS) committee that MDC had received its first criminal commitment. That is, for the first time an individual was committed to MDC via criminal statutes and for a specified duration.

Legislative staff reviewed the court order that utilized criminal commitment statutes. Per the CFHHS committee's request, legislation was drafted clarifying the criminal statutes and their application to persons with developmental disabilities. SB 35, revising criminal procedure for the developmentally disabled, clarifies relevant criminal statutes and provides that if the court finds the individual unfit to proceed in the criminal court system, criminal charges are to be dismissed and the prosecutor shall pursue commitment via the civil commitment process.

It appears that the population at MDC is becoming similar to that of the Montana State Hospital in that MDC is beginning to house a portion of the population that is forensic in nature. This change in population mix creates new challenges and concerns, particularly when the vulnerable nature of some MDC residents is considered.

Pending Legal Actions

Currently, there are two legal actions pending that seek changes and increased funding for services for the developmentally disabled.

MAP Lawsuit

In 1996 the Montana Advocacy Program (MAP) filed the Travis D. class action lawsuit. Defendants in the Travis D. lawsuit include the state of Montana, Montana Developmental Center, Eastmont Human Services Center, and key personnel. The legal basis for this lawsuit includes the integration mandate of the Americans with Disabilities Act (ADA), equal protection rights of the 14th amendment, the Social Security Act (Medicaid), and the right to due process. The lawsuit seeks to protect the civil rights of individuals with disabilities, and the provision of appropriate community services for individuals with disabilities. The Montana Advocacy Program put this lawsuit on hold while participating in the Developmental Disabilities Future Study group during the 1999 - 2001 interim. Once the study was complete the lawsuit was taken off hold and has been proceeding, but remains unresolved. During public testimony related to the closure of the Eastmont facility, an attorney for MAP indicated that closure of the facility would be a step toward resolution of this lawsuit, although MAP would prefer that all residents be moved to community settings rather than some residents being moved to MDC.

MAIDS Lawsuit

In September 2002, the Montana Association for Independent Disability Services, Inc. (MAIDS) and several individuals with developmental disabilities filed suit. Defendants in the MAIDS lawsuit include the Department of Public Health and Human Services and key department and state personnel. MAIDS is a non-profit organization comprised of entities providing community-based services to individuals with developmental disabilities. This suit alleges that the disparity in wages and benefits paid to employees of community based providers verses the wages and benefits paid to employees of state institutions has resulted in irreparable and unnecessary harm to the plaintiffs. The plaintiffs allege that several statutory and constitutional provisions have been violated and seek: 1) to have the wage and benefit disparity between

employees of state run institutions and community providers eliminated; and 2) to have uniform Medicaid reimbursement rates established.

Potential Costs

While it is probably not feasible to calculate the costs to the state of the additional services and payments that might be necessitated if the plaintiffs prevail, it is likely that any actions the state would be required to implement under court order would likely cost millions of dollars. In fiscal 2002 Montana spent \$67.2 million (\$25.8 million general fund) to provide community-based services to 3,993 people, an expenditure average of \$16,840 per person. The division estimates that during the 2005 biennium, 724 individuals will not be receiving any services and will be waiting for services. If these 724 are served at an average cost of \$16,840, it would cost \$12.2 million. Additionally, the division estimates that 830 individuals will be receiving some services and waiting to receive more services. If these 830 individuals are served at a cost of \$10,000 per person, it would cost \$8.3 million. Thus, over \$20 million additional funding would be needed just to serve individuals on waiting lists without considering: 1) the additional costs to provide services in the community rather than institutions; and 2) the costs of increasing direct care worker wages.

Income Levels of Non-Medicaid Eligible Service Recipients

The 2001 legislature directed the Disability Services Division to complete and provide to the Legislative Finance Committee a report on the impact of applying income criteria to determine eligibility for developmental disabilities program services and benefits on individuals, the waiting list for services, and the budget of the developmental disabilities program. Also, the legislature stated that the report to the Legislative Finance Committee should include, by age group and residential setting, the number and value of services provided to non-Medicaid eligible recipients with incomes at or below 200 percent of the federal poverty level and with incomes at or below 150 percent of the federal poverty level.

To comply with this requirement the department developed two surveys, one for children's services and one for adult services. Case management and provider staff assisted the department in collecting the information requested on this survey.

A total of 223 adults who received \$4.1 million of services were included in the adult survey. Among this group, 27 individuals (12 percent) did not respond to the survey and 146 (65 percent) reported having income greater than the federal poverty level. The remainder of the group, 50 individuals, who received \$0.9 million of services, reported having income levels less than the federal poverty level.

The families of 827 children that received \$4.5 million of services were included in the children/family survey. Among this group, 155 families (19 percent) did not respond to the survey and 540 families (65 percent) reported having income greater than the federal poverty level. The remainder, 132 families (16 percent), who received \$0.8 million of services, reported having incomes at or below the federal poverty level.

The legislature was presented with and considered information about income, assets, and clinical criteria used by various DPHHS programs to determine eligibility for publicly funded services. The developmental disabilities program is relatively unique among the department's programs, largely operating on a philosophy that all who have a developmental disability are eligible for services regardless of their financial ability to obtain services without public funding. The department indicated access to services is limited by the level of funding appropriated by the legislature. The department has established some criteria in administrative rule to determine eligibility for services. The legislature discussed potential statutory changes impacting eligibility for developmental disabilities services but did not take action on this issue.

Present Law Adjustments										
-----Fiscal 2004-----					-----Fiscal 2005-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				3,702,830						3,777,631
Vacancy Savings				(968,670)						(971,651)
Inflation/Deflation				23,620						30,276
Fixed Costs				258,231						275,655
Total Statewide Present Law Adjustments				\$3,016,011	\$3,111,911					
DP 31 - MTAP Program Increases										
0.00	0	212,062	0	212,062	0.00	0	242,316	0	242,316	
DP 86 - Maintain MDC Certification										
12.00	343,921	0	0	343,921	12.00	344,111	0	0	344,111	
DP 87 - DDP Change in FMAP										
0.00	(38,247)	0	38,247	0	0.00	31,538	0	(31,538)	0	
DP 90 - DSD Base Adjustments										
0.00	23,560	0	60,764	84,324	0.00	27,185	0	69,997	97,182	
DP 93 - Annualize Tuition Increases										
0.00	28,880	0	106,705	135,585	0.00	28,880	0	106,705	135,585	
DP 94 - Annualize DDP Wage Parity										
0.00	894,580	0	867,639	1,762,219	0.00	896,483	0	865,736	1,762,219	
DP 96 - Annualize VR Provider Rate Increase										
0.00	58,149	0	103,114	161,263	0.00	58,149	0	103,114	161,263	
DP 97 - DDS Base Adjustments										
0.00	0	0	247,470	247,470	0.00	0	0	430,627	430,627	
DP 98 - MDC and EHSC Medicaid Authority										
0.00	0	0	1,430,237	1,430,237	0.00	0	0	1,617,757	1,617,757	
DP 291 - Reduce Extended Employment Benefits										
0.00	(270,639)	0	0	(270,639)	0.00	(270,639)	0	0	(270,639)	
DP 292 - Eliminate Independent Living Parity										
0.00	(228,766)	0	0	(228,766)	0.00	(228,766)	0	0	(228,766)	
Total Other Present Law Adjustments										
12.00	\$811,438	\$212,062	\$2,854,176	\$3,877,676	12.00	\$886,941	\$242,316	\$3,162,398	\$4,291,655	
Grand Total All Present Law Adjustments				\$6,893,687	\$7,403,566					

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 31 - MTAP Program Increases - The legislature added \$454,378 state special revenue over the biennium for Montana relay service growth, equipment costs, increased outreach efforts, and increased rent. The largest share of this request (\$246,788) supports increased service relay costs. During fiscal 2002, Montana Relay achieved and sustained an average call rate of 10,000 calls per month, resulting in an average three minutes per call. Montana Relay contracts with Sprint to provide the relay service at \$1.30 per billable minute and the contract rate will be in effect through the end of the 2005 biennium.

The appropriation includes \$104,540 for equipment. The program will be renegotiating its equipment contract, which expires July 2002. This budget anticipates addition of the CapTel phone to replace the current amplified and voice carry over (VCO) telephone units for those people who have significant hearing loss and lose 70 percent of their conversation ability. The standard TTY and relay service does not meet their needs. The cost of the CapTel phone is approximately \$400 per unit. Amplified telephones cost \$63 per unit, TTY machines cost \$340 per unit, and the two VCO units cost \$125 and \$200. Seventy percent of the clients MTAP serves are elderly with hearing loss. With the CapTel phone, users will be able to direct dial the number they want to call and will be connected to the Relay Service. This feature eliminates the need for the user to remember multiple numbers such as the Relay Service 1-800 number.

Of the 500 TTY units currently in use in Montana, MTAP anticipates replacing 125 of these units with the CapTel phone for a one-time cost of approximately \$50,000. MTAP also anticipates distributing approximately 89 CapTel phones per year; this figure is based on past experience with the number of clients served and their needs.

An increase in rent of \$18,450 over the biennium will provide more work and storage space for specialized telecommunications equipment distributed by the program and would allow the program to establish a station so that consumers can test and train on the equipment prior to installation in their home.

DP 86 - Maintain MDC Certification - The legislature approved \$688,032 general fund to support 12.00 FTE at MDC. In response to deficiencies identified during a Medicaid certification review, the department determined that a six bed secure-care unit was needed. The department hired additional staff and implemented these changes during fiscal 2002.

In March 2002, MDC underwent a Medicaid certification survey. The survey identified deficiencies in the area of client and staff safety and indicated that without corrective action, MDC could be decertified as a Medicaid participating provider. Loss of certification would result in the state no longer being able to claim Medicaid reimbursement for the services provided at MDC. The Medicaid reimbursements received by MDC are used to repay MDC building bond debt and the balance remaining (about \$9 million annually) is deposited in the general fund.

DP 87 - DDP Change in FMAP - The legislature approved a reduction of \$6,709 general fund and a corresponding increase in federal funds for the biennium due to anticipated changes in the FMAP rate.

DP 90 - DSD Base Adjustments - The legislature approved \$50,745 general fund and \$130,761 federal funds to annualize rent increases that occurred in fiscal 2002. The additional funding is for the offices located in Billings, Kalispell, Bozeman, Butte, Miles City, Great Falls, and Havre.

DP 93 - Annualize Tuition Increases - The legislature approved \$57,760 general fund and \$213,410 federal funds to annualize the costs of tuition increases, paid on behalf of recipients of Vocational Rehabilitation Services, that were effective July 1, 2002.

DP 94 - Annualize DDP Wage Parity - The legislature approved \$1,791,063 general fund and \$1,733,375 federal funds to annualize the costs of direct care worker wage increases that were effective July 1, 2002.

DP 96 - Annualize VR Provider Rate Increase - The legislature approved \$116,298 general fund and \$206,228 federal funds to annualize the costs of a 2.5 percent provider rate increase that was effective July 1, 2002.

DP 97 - DDS Base Adjustments - The legislature approved \$678,097 in federal funds to support an anticipated 10 percent per year increase in DDS workload. The funding in this request will be used for overtime, differential pay that is paid to DDS employees for achieving their performance goals outlined by the Social Security Administration, on-the-job training for a person who is developmentally disabled, contracted medical consultants (as mandated by federal law) to review cases cleared through the DDS, copies of medical records and/or medical examination costs for disability claimants, claimant travel to required appointments, and rent.

DP 98 - MDC and EHSC Medicaid Authority - The legislature approved \$3,047,994 federal funds for the biennium to annualize expected Medicaid reimbursement for the two institutions. These are the appropriated dollars that are used in transferring expenditures from the general fund to Medicaid for both facilities. The Medicaid revenues are then deposited into the general fund. The amounts are based on projected revenues for fiscal 2004 and 2005 above the fiscal 2002 base.

DP 291 - Reduce Extended Employment Benefits - The legislature approved a reduction of \$541,278 general fund for the biennium supporting extended employment benefits. State special revenue to continue these services is appropriated in SB 485 revising the use of tobacco settlement proceeds. This funding provides extended employment benefits to about 68 individuals.

DP 292 - Eliminate Independent Living Parity - The legislature approved a reduction of \$457,532 general fund for the

biennium supporting independent living services. State special revenue to continue these services is appropriated in SB 485 revising the use of tobacco settlement proceeds. This funding provides services to over 396 individuals (in rural areas of eastern Montana) at independent living centers.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 29 - MTAP Mt Relay Video Relay Service - OTO										
10	0.00	0	144,600	0	144,600	0.00	0	144,600	0	144,600
DP 82 - DD Funding at Current Level of Service										
10	0.00	1,899,878	0	(1,899,878)	0	0.00	1,899,878	0	(1,899,878)	0
DP 88 - DDPAC Federal Grant Increase										
10	0.00	0	0	25,900	25,900	0.00	0	0	25,900	25,900
DP 285 - FTE Reduction										
10	(9.02)	(216,506)	0	(65,067)	(281,573)	(9.02)	(217,440)	0	(64,204)	(281,644)
DP 294 - Refinance Community Supports and Supported Living										
10	0.00	(1,424,395)	0	3,827,799	2,403,404	0.00	(1,424,395)	0	3,742,072	2,317,677
DP 296 - DDP GF Reduction Due to Refinancing										
10	0.00	(1,800,000)	0	4,837,168	3,037,168	0.00	(1,800,000)	0	4,728,836	2,928,836
DP 297 - DDP Medicaid Provider Rate Refinancing										
10	0.00	(189,850)	0	510,187	320,337	0.00	(193,556)	0	508,497	314,941
DP 755 - Refinance a Portion of Children's Services										
10	0.00	0	0	0	0	0.00	(1,000,000)	0	1,000,000	0
DP 766 - Eastmont - Change in Mission										
10	(40.27)	1,107,303	(584)	559,173	1,665,892	(72.27)	(1,247,862)	(584)	709,814	(538,632)
DP 767 - DDPAC - Move to Dept of Commerce, HB734										
10	(2.00)	0	0	(415,435)	(415,435)	(2.00)	0	0	(415,182)	(415,182)
DP 768 - DD Federal Fund - HB 452										
10	0.00	0	0	2,380,962	2,380,962	0.00	0	0	1,934,019	1,934,019
DP 6800 - HB 13 - Pay Plan										
10	0.00	92,177	1,820	50,816	144,813	0.00	400,324	7,793	215,916	624,033
Total	(51.29)	(\$531,393)	\$145,836	\$9,811,625	\$9,426,068	(83.29)	(\$3,583,051)	\$151,809	\$10,485,790	\$7,054,548

New Proposals

DP 29 - MTAP Mt Relay Video Relay Service - OTO - The legislature accepted the executive request for \$289,200 state special revenue over the biennium as a one-time-only appropriation to provide video relay service. Using this service, a deaf or hearing person could call a certified interpreter who could then relay interpretive services through a video call in American Sign Language (ASL) and verbally. Businesses, medical professionals, and hospitals could use video services when they need interpreter services to relay a conversation to a deaf person. Montana has a shortage of interpreters as well as a large rural community that need interpretive services where interpreters are not available.

This proposal funds only the relay service cost, not equipment. The Federal Communications Commission (FCC) is considering whether to require states to provide video relay capability. Video relay services are currently being offered on a trial basis for 18 months, which ends December 31, 2003. Montana and other states are not required to fund services during the trial period. The rate for video relay services during the trial period is \$17 per minute.

DP 82 - DD Funding at Current Level of Service - The legislature approved an increase of \$3,799,756 general fund and decrease in federal funds of a like amount for the biennium to replace TANF fund transferred to Title XX and Title XX funds that will not be available in the 2005 biennium. Federal funding for Title XX grant has been reduced.

DP 88 - DDPAC Federal Grant Increase - The legislature approved \$51,800 federal funds for the biennium to support an increase in the Developmental Disabilities Planning and Advisory Council (DDPAC) grant award.

DP 285 - FTE Reduction - The legislature approved a reduction of 9.02 FTE to achieve savings of \$433,946 general fund, \$563,217 total funds for the biennium.

DP 294 - Refinance Community Supports and Supported Living - The legislature approved a refinancing effort that reduces general fund requirements by \$2,848,790 and increased federal funds by \$7,569,871 for the biennium by providing services previously funded entirely from the general fund under the federal Medicaid program.

DP 296 - DDP GF Reduction Due to Refinancing - The legislature approved a decrease in general fund of \$3.6 million and an increase in federal Medicaid funds of \$9.6 million for the biennium. Savings will be realized because clients in congregate living settings, whose services were previously paid by the general fund, will now be billed to Medicaid. The department implemented this refinancing effort in mid-fiscal 2003.

DP 297 - DDP Medicaid Provider Rate Refinancing - The legislature approved the refinancing of some services provided by the Developmental Disabilities Program so that general fund necessary to support services is decreased without service or provider rate reductions. This action reduces general fund \$383,406 and increases federal funds \$1,018,684 for the biennium.

DP 755 - Refinance a Portion of Children's Services - The legislature decreased general fund support for services provided by the Developmental Disabilities Program by \$1 million in fiscal 2005 because a portion of the children receiving services are eligible for federal Medicaid funds and the services can be provided under the Medicaid program if the division obtains an additional waiver. In order to achieve the projected \$1 million savings services for about 46 percent of the children currently receiving services funded by the general fund must be refinanced with federal Medicaid funds in the second year of the biennium. The legislature also designated \$1 million of the fiscal 2004 general fund appropriation for the program as one-time-only so that it would not be included in the base budget for the 2007 biennium.

DP 766 - Eastmont - Change in Mission - The legislature increased general fund support for state institutions for the developmentally disabled by \$1.1 million in fiscal 2004 and decreased support in fiscal 2005 by \$1.2 million to reflect their acceptance of a plan to change the mission of the Eastern Montana Human Services Center (Eastmont) and discontinue use of the Eastmont facility as a state institution for the developmentally disabled. A portion of this adjustment, \$580,000 general fund, is provided as a one-time-only restricted appropriation for costs such as employee termination payouts, retraining, and an employee incentive package, that are not expected to reoccur in future years. The change in mission of the Eastmont facility results in elimination of funding for about 40.27 FTE in fiscal 2004 and 72.27 in fiscal 2005.

Changing the mission of the Eastmont facility results in savings of about \$4 million general fund when the legislative budget is compared to the Executive Budget. The legislature also included contingency language in HB 2 that provides increased general fund support of \$1,915,198 in fiscal 2004 and \$1,915,953, which includes funding for 60.27 FTE in fiscal 2004 and 92.27 FTE in fiscal 2005, if HB 727, which changes the mission of Eastmont, is not passed and approved.

The department plans to build at least one six bed group home for developmentally disabled individuals in Glendive for some Eastmont residents who wish to remain in the Glendive community. The remaining 23 individuals residing at Eastmont would be moved to the MDC or community settings if possible. Additionally, four individuals currently in group homes would be moved to supported living and four individuals currently residing at MDC would be moved to group homes. The movement of residents and change in the mission of the Eastmont facility would be completed by December 31, 2003.

DP 767 - DDPAC - Move to Dept of Commerce, HB 734 - This decision package moves funding for DDPAC from DPHHS to the Dept. of Commerce as provided in HB 734.

DP 768 - DD Federal Fund - HB 452 - The legislature provided additional federal funds to match with state special revenue collected in accordance with the provisions of HB 452, which provides a tax credit for entities contributing funds for developmental disability services.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in

insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded

Language

The legislature added the following language to HB 2.

"If House Bill No. 727 is not passed and approved, funding in Disability Services Division is increased by \$1,915,198 of general fund in fiscal 2004 and by \$1,915,952 of general fund in fiscal 2005, which includes funding for an additional 60.27 FTE in fiscal 2004 and an additional 92.27 FTE in fiscal 2005."

"Funding in item [Disability Services Division] is decreased by \$2,380,962 in federal funds in fiscal year 2004 and \$1,934,019 in federal funds in fiscal year 2005 if House Bill No. 452 is not passed and approved."

"Funding in item [donated dental] may be used only to provide donated dental services to individuals with disabilities."

"Appropriations in items [Medicaid Match] are contingent upon passage and approval of Senate Bill No. 407."